

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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INTERNATIONAL

Business climate improvement in the Russian Federation.

As regards business, Russia has become an easier and a cheaper place than other countries like China, India or Brazil according to World Bank's third annual ranking. Russia sits in the 79th position of the 155 studied countries where to start and operate a firm, behind Romania but ahead of Greece. In the lowest position, we find the Democratic Republic of Congo.

Top three positions are occupied by New Zealand, Singapore and United States then come ex-Soviet economies of Lithuania and Estonia sitting N°15 and 16 respectively.

The World's Bank has congratulated the Russian government pointing however that it still has to simplify real estate registering procedures. In fact, according to the study, it is easier to start a business in Russia with 33 days and 8 procedures in 2005 compared to 36 and 9 in 2004. In the USA, 5 days and 5 procedures are sufficient. Registering property in Russia is boring but cheap at 0,4% of its value. But it takes 52 days to achieve the complete process versus 37 days last year.

Reform pace in the Federation recently slowed down but it still grows faster than in competitive

emerging countries. The World's Bank asked also the Federation to make the retirement age equal for women and men at 60 versus 55 for women and 60 for men today.

The World's Bank commends also the Federation to eliminate obstacles to sharing credit information, speeding up customs declarations for imports and simplifying taxes for the third year in a row.

EUROPE

To attract customers, developers and retailers study human behavior.

Two shopping center developers, Portugal-based Sonae SGPS and the British Grosvenor Group Holdings, have studied the manner customers shopped in 2000. Their conclusions are already clear in some of their operations.

In Cascais center, in the suburbs of Lisbon, Sonae discovered that people had difficulties in finding a parking space. Consequently he was losing the group of consumers whom he wanted most, the upper-income category who shops only when they need to buy something specific. It is the reason why a valet parking has been added. Then new service categories have been added such as car washing and cleaning. A car washing, interior cleaning and valet included, costs € 15 per hour or € 2.50 for the valet alone.

In Colombo, Sonae's other shopping center, located in Lisbon in 120,000 sq.m of retail and leisure space, the success is based on the wide diversity of stores and its easy access by public transportation means.

In its centers in Portugal, Spain, Italy, Greece and Brazil, Sonae provides children-care services and

Country ranking :

rank	country	rank	country
1	New Zealand	54	Poland
2	Singapore	70	Italy
3	United States	77	Argentina
4	Canada	78	Romania
5	Norway	79	Russia
6	Australia	80	Greece
7	Hong Kong	81	Macedonia
8	Denmark	83	Moldova
9	United Kingdom	86	Kazakhstan
10	Japan	91	China
15	Lithuania	100	Georgia
16	Estonia	106	Belarus
20	Thailand	116	India
44	France	119	Brazil
52	Hungary	124	Ukraine

Source : World Bank/Doing Business

parents can leave their children for € 2.50 an hour. It targets also fashion-conscious customers and those who buy apparel, only when they need, via advertising supplements in magazines and reviews, to promote the Norte shopping center in Oporto (Portugal).

Sonae is also interested in leisure activities such as cinema for consumers who do not want to shop only when they come to the center.

Bluewater center in Kent (England), owned by several investors including Australia-based Lend Lease and the British Prudential Property Investment Managers, has adopted a similar approach in its 148,700 sq.m space. 22,000 persons have been surveyed in the geographic area when the center was being built in order to find which style of offer to provide. The center includes 3 main areas to attract various customers : "Guildhall" presents high fashion and lifestyle brands in a similar way to London Regent Street or Bond Street catering to the young fashion-conscious population. «The Rose Gallery » includes high-street stores such as a John Lewis Partnership department store for middle-class shoppers; "Thames Walk" includes leisure activities such as a 13-screen cinema, bars and restaurants. In addition, when the developer discovered that security was a concern, he added his own police force.

Source : The Wall Street Journal

Vacancy rates in European shopping centers.

Planning restrictions have generated a decreasing supply and a low vacancy rate, an average of 4.2%, and reinforced attraction of European shopping centers

for investors according to the CB Richard Ellis/IPD European Shopping Centre Digest.

In 2004, the vacancy level decreased mainly in countries with the strongest consumer spending growth except three where it remained stable, Ireland, Norway and United Kingdom. However, it was relatively low in these countries in 2003.

The vacancy rate is very low in large regional shopping centers of at least 100,000 sq.m with an average of 2.5% in 2003 compared to 4.4% in smaller centers of 50,000/80,000 sq.m and 10.2% for centers smaller than 50,000 sq.m. It is the same trend in Europe, in the Netherlands and Switzerland. It is the reverse for centers larger than 25,000 sq.m in France, Germany, Norway, Portugal and Sweden where they have higher vacancy rates than smaller.

It is observed that by construction date in France, Portugal, Switzerland and Netherlands, centers built after 1994 have a lower average vacancy rate than older centers. It is the reverse in Denmark, Spain and U.K where older centers have lower average vacancy levels.

FRANCE

Ikea France had a very good 2005/6 exercise with a two-digit increase of sales.

France's third largest furniture retailer after Conforama and But had sales of € 1.268 billion in the 2004/5 exercise to August 31. Pre-tax sales grew by 15.5% and same-store sales by 11%. The growth is four times superior to the market's.

As Ikea operates 17 stores in France and aims to become the country's largest retailer in its sector,

In short...

Ikea unveiled a third Moscow furniture store mid-September in Kotelniki, southeast of the city, in a site that could include a Mega Mall, a leisure park and a hotel. This operation is the fruit of Ikea's first joint venture, a partnership with a large regional agricultural producer owner of the site who holds 25% of the project...

Pyaterochka supermarkets, whose shares trade in London, expects to invest \$ 2 billion in 120 Karusel hypermarkets in Russia over a period of 8 years according to Vedomosti. Two will be added in St Petersburg before the end of this year to three already in operation and 10 more next year in the capital and St Petersburg. Cost per unit is at least \$ 15 million and the breakeven point is expected over five or six years...

Wal-Mart, interested in Russia, Poland and Hungary, would buy the 7 Cora hypermarkets in Hungary, owned by the Belgian-French Louis Delhaize. In that case, Wal-Mart will face Tesco, the leading hypermarket chain in Hungary with 6 units plus 10 to 12 added before the end of this year. As the country is growing saturated with hypermarkets, the British retailer plans to open smaller units of 1,000 sq.m of floor space...

Wal-Mart acquires all the Brazilian Sonae supermarkets. Sonae is Brazil's 4th largest supermarket chain and a market leader in the south of the country with US\$ 9.7 billion in sales...

B&Q has bought 4 new Obi DIY stores in Shanghai (China) following an earlier acquisition of 4. Five more were opened end of September and five are still in project. This will bring the total to over 50 before the end of 2005. The company's goal is operating 100 outlets by 2010. B&Q sales in China amount to US\$ 3.2 billion. In H1, they grew by 35% and profits increased three times over that in the same period in 2004...

Five year shopping centre vacancy levels 2000/2004 (% of income)

	2000	2001	2002	2003	2004
Denmark	1.2	1.9	2.3	4.7	3.1
France (% of floor space)	6.9	4.8	4.8	5.8	4.5
Germany	3.5	3.1	5.6	5.4	5.4
Ireland	8.1	5.1	5.1	5.1	5.1
Netherlands	1.4	2.3	2.3	1.8	1.6
Norway	0.8	1.0	1.0	2.7	2.7
Portugal (% of floor space)	0.7	0.5	5.4	4.2	5.0
Spain (% of floor space)	-	5.5	4.5	4.3	3.0
Sweden	6.5	8.3	7.0	7.7	6.8
Switzerland	-	-	-	4.2	3.9
U-K	4.4	4.0	3.6	3.2	3.4

Source : CBRE



French Carrefour Group has planned a major expansion in Malaysia growing from 8 hypermarkets in 2005 to 200 by 2008. They will be stand-alone units and no longer anchors within shopping galleries...

The Home Depot and Lowe's could see their sales increase in the aftermath of Katrina hurricane. Most retailers released their same-store sales for August, four days after it hit the Gulf Coast, and announced that their figures were in line with their own expectations. A few only were concerned to achieve planned September same-store sales. 126 **Wal-Mart** stores were affected, 40 remained closed during four days after the storm. The retail giant is revising downwards its expectation for September same-store-sales to 2%-4% from 4%-6% due to the storms and its impact on gas prices...

British Tesco is studying the American market in view of an imminent acquisition...

Carrefour, world's second largest retailer, and British Tesco, signed an agreement allowing each to withdraw from not profitable markets to concentrate on other: under these conditions, Tesco gets 15 Carrefour hypermarkets in the Slovak and Czech republics and Carrefour takes on 6 Taiwan hypermarkets (plus 2 other sites). British retailer would pay Carrefour € 57.4 million (\$ 69.1 million)...

Coca-Cola has to review its retail contracts in Russia.

The federal anti-monopoly observatory has threatened Coca-Cola of sanctions as it violates the legislation so largely that, according to observers, it may affect the rest of the alcoholic and soft sector. It is the case in Krasnoïarsk where the American firm was warned locally.

Coca-Cola has to change its practice and remains tightly watched by local authorities. In other words, it not only risks sanctions but to be banned from any activity in Russia.

€ 150 million will be invested. To reach that goal, it needs to have 30 to 35 outlets, which means to add two new outlets a year. Next year, two will be expanded (Toulouse, Franconville); Montpellier was opened end of September and Marseille will be in August 2006. Ikea also aims to cut by 5% prices of its catalogue products while focusing on the kitchen and the bedroom.

Swedish group, active in 24 countries, operates 196 stores. Franchised stores included, the total count grows to 220 in 33 countries. In the year, it had sales of € 14.8 billion, up 15% including 81% in Europe, 16% in America and 3% in Asia. Its five main markets are Germany, USA, United Kingdom, Sweden and France. As for the new 2005/6 exercise, the Group has planned to add 6 stores : Moscow (opened mid-September), Padua (Italy), Chicago, Guangzhou (China), Erfurt (Germany) and Japan's first unit in Tokyo in April.

French Casino Group sells shares of its Mercialis retail property unit. Group's declining results in H1 and Netherlands-based Laurus still in loss.

Mercialis owns a portfolio of shopping galleries next to the Group's hypermarkets and supermarkets. It houses 147 French sites occupying a total of 547,000 sq.m GLA valued at € 957,5 million and generated 66.9 million in invoiced rents in 2004. Shells of hypermarkets and supermarkets are not included in the operation and are retained by the Group.

This way, Casino will use the proceeds from Mercialis Initial Public Offering in April and cut its net debt-to-equity ratio to below 100% this year versus 107% to June 30. Mercialis has also planned to raise € 200 to 230 million from a separate share issue after flotation. Casino will retain the control in the company after the listing. French insurer Axa will bring € 61 million to Mercialis in exchange for a 6.5% stake and raise it by at least 25 million during the operation.

In H1, Casino Group's profitability was decreasing in a lagging consumer market and a punctual decline of the US

contribution. Current operating income was down 11% to € 422.7 million and net profit group share down 11.1% to 191.8 million on consolidated pre tax sales of 10.4 billion, a 1.6%-increase. In the period, the Group took the co-control of the Brazilian CBD and the total control of Vindémia, a leading chain in the Indian Ocean.

Casino owns 45% of the capital of **Laurus**, second largest retail group based in Netherlands, in its third year of restructuring. Sales were down 10% in H1 to 1.46 billion. Excluding the exceptional element of a € 47 million provision of pension funds, the loss amounts to 46 million. Otherwise, Laurus net income is € 2 million. It is its fourth-year loss in a row as it continues to be impacted by deflationary food prices but it is pursuing programs to transform its networks.

Hyparło : the Paris Appeals Court has ordered Carrefour, world's second largest retailer, and the Arlaud family to buy the outstanding listed shares in Hyparło in the next three months.

In January 2005, Carrefour bought 50% of Hofidis II, Hyparło's holding company, which holds 57.8% of Hyparło's capital, from the Arlaud family, while retaining its 20% stake in the firm. On the other hand, Hyparło, Carrefour's largest franchisee, took over 100% of its Romanian subsidiary that belonged jointly to both partners. Carrefour had also agreed to buy at least 10 percent more of the holding company and take the control of Hyparło by January 2012. In February 2005, the exchange authorities had exempted Carrefour to take the total control of Hyparło. The agreement terms signed by both firms gave Carrefour double voting rights in case of a disagreement over Hyparło. Hence there would have been a change of control from which small shareholders would have been excluded.

The Court's decision obliges both Carrefour and the Arlaud family to compensate those shareholders through a takeover offer. The operation will not change anything concerning Hyparło strategy that will be organized around two priorities : →

- the reinforcement of each of the Group's 12 hypermarket position in France,
 - the speed up of the expansion of Hyparlo's business in Romania considered as a key growth driver. Partnership between both firms will continue in the actual conditions, which means operating hypermarkets under the Carrefour banner. Hyparlo will remain 100%-owner of its Romanian subsidiary (4 hypermarkets, a 5th is set to open in Ploiesti in October and two more in 2006).

ITALY

Foreign investors are interested in modern shopping centers as the market is under-equipped.

In spite of its attractiveness as many cities are not well commercially-equipped, it is very difficult to enter Italy and, for the most part of them, developers are local or regional. Now, real estate market is well resisting to the general lagging atmosphere.

In 2003 and 2004 large shopping centers of 20,000 to 40,000 sq. m emerged; followed by retail parks, outlet and leisure centers. According to Jones Lang LaSalle, floor space is due to grow by 45% to 3.8 million sq.m between 2005 and 2007.

In comparison, few projects are built in and around Milan. However three large shopping centers are being built in the corridor between Rome's heart and Fiumicino airport including ING Real Estate's Lunghezza (70,000 sq.m) which is due to be completed in 2006; Porta di Roma is built in a similar space by local developer Lamaro and the U.S Simon Group, and the third one, Centro Leonardo (60,000 sq.m) built by Italian Caltagirone.

In Central Italy, the U.S developer The Mills Corp will restructure a historical site in Rome to open a shopping and leisure center, Mercati Generali, covering 77,110 sq.m, two kilometers away from the Forum and the Coliseum, in partnership with five local partners.

While international developers and investors tend to target northern Italy, a larger number of foreign big-box store chains such as the French Auchan and Carrefour invest also in

the South. The first large investment deal in the South was made by the Dutch investor Corio as it purchased Marcianise Center in Naples for € 175 million in June 2003. Pradera has also been a pioneer in southern Italy when it purchased La Tenutella Retail Park (38,000 sq.m) in Catania (Sicily) for € 58 million. Its construction will soon start.

According to JLL, 700,000 sq.m of new space will come on the Central Italian market by 2007 compared to 1.25 million sq.m in the South. Both are regions in which new large centers will be built in 2007. Sicily will gain 590,000 sq.m, Central Italy 510,000 sq.m and Campania 390,000

a grocery chain in Guatemala, also active in El Salvador and Honduras. Carhco controls Corporacion de Supermercados Unidos (CSU) with big-box stores in Costa Rica, Nicaragua and Honduras. Totally, Carhco has 363 stores including 120 in Guatemala, 57 in El Salvador, 32 in Honduras, 124 in Costa Rica and 30 in Nicaragua with \$ 2 billion in sales.

CSU owns Corporacion de Companias Agroindustriales that provides fresh products for CSU, and La Fragua develops private label merchandise.

POLAND

Leading chains ranked by sales in 2004.

retail chains	country of origin	signs	sales (€ million)
1 Metro Polska	Germany	Makro, Real, Media Markt, Praktiker, Saturn	2,907
2 Tesco Polska	United Kingdom	Tesco, Savia	1,151
3 Jeronimo Martins	Portugal	Biedronka	1,148*
4 Ahold Polska	Netherlands	Hypernova, Albert	1,073
5 Schwarz Group	Germany	Lidl, Kaufland	1,045*
6 Auchan Polska	France	Auchan, Elea, Schiever	944
7 Ruch SA	Poland	Ruch	918
8 Géant Polska	France	Géant, Leader Price	893
9 Carrefour Polska	France	Carrefour, Champion	853
10 Plus Discount	Germany	Plus, Obi	649
11 Rewe	Germany	Minimal, Selgros	606
12 ITM Polska	France	Intermarché, Bricomarché	479
13 Eurocash	Poland	Eurocash	392
14 E.Leclerc	France	Leclerc	378
15 Eldorado	Poland	Eldorado, Stokrotki	300

* estimates source : LLVI

sq.m. These regions are attractive for investors because they offer higher returns and better yields than under-equipped and mature markets in the north part of Italy.

NETHERLANDS

Royal Ahold : in Q2 2005, performance remained stable in a competitive market as net sales decreased 0.9% to € 10.4 billion. Excluding currency impact, they rose 0.5%. Net income was € 130 million compared to a net loss of 28 million one year earlier in the same period and operating income was € 248 million versus 217 million in 2004. Net debt declined by € 0.4 billion or 5.6% during the quarter.

It decided to sell its indirectly owned stake of 33% in Carhco, a Central American joint venture. Carhco holds 85.6% of La Fragua,

PORTUGAL

Serra shopping center will open on November 23 in Covilha :

- 17 866 sq.m GLA,
- 86 shops including 34 international brands,
- 6 anchors including a Continente hypermarket (Carrefour Group),
- 15 restaurants,
- a 4-screen multiplex,
- 912 parking spaces,
- development : Serra Shopping,
- letting : Sonae Sierra, Cushman & Wakefield Healey & Baker,
- catchment area : 109,000 people living 30 minutes away by car, and 37,000 living 10,
- forecasted sales : € 24.5 million excluding the fast food court and hypermarket in the first operating year,
- investment : € 27.6 million.

Opportunities in China for small and midsize enterprises.

For many European and North American small and midsize enterprises, the prospect to do business in China can be a daunting venture. In fact, their little enthusiasm is due to the fact that they are more and more vulnerable on several aspects. They not only lose the opportunity to sell merchandise and services in this continent and to import low-priced merchandise in their factories and workshops but also to meet the new Chinese competition at home.

Rather than waiting passively for the arrival of these foreign competitors in their domestic market, small and midsize enterprises can lead strategies that would make them able to jump obstacles in this far away continent. Many among them are ready to expand resources to identify quality Chinese suppliers or try to understand local consumer tastes. But they have no time or means to recruit a workforce and manage local operations.

Once they have overcome these difficulties, it may be too late : their multinational customers, who are expanding at a fast rate in China, may have already organized their own local networks of Chinese suppliers. In addition, as these suppliers are ready to answer to demanding multinationals, they will be in a better position to face competition in China and overseas. We know that textile is already suffering from the lifting of quotas on Chinese exports. In a foreseeable future, the continuing of export liberalization will probably affect business sectors such as basic machine tools, automotive components and home and office furniture.

Western firms that want to enter the Chinese market consider partnerships with local firms as a good approach for some but even large multinationals estimate it as a very large challenge. In fact, identifying a reliable partner being thousands of kilometers away may be a huge task spent in time and resources for an enterprise management. Once that partnerships or joint ventures are under way, small and midsize firms often discover that their points of view on important issues greatly differ from the Chinese such as governance, capital participation and operation control.

By luck, small and midsize enterprises have more effective means of expanding in China. For most of them, they belong to powerful national retail groups that can help them in their research and share

resources in some sectors of activity. For example, a big retail group could settle a shared-sourcing center in order to select hundreds of potential Chinese suppliers, establish a small list of talented persons and answer this way to demands of its members. This sourcing center could propose its experience in sectors such as contract negotiations, management of supplier networks, quality guarantee...

These big retail groups could also want to partner with owners of industrial parks or of developing zones to build shared buildings that small and midsize foreign enterprises would use as a manufacturing base. To associate with a Chinese industrial park would thus give partners access to a shared-infrastructure and resources that may help them in their start-up phase. They also could enjoy scale economies while sharing market research, sales agents and access to distribution networks.

To gather means in the heart of a unique body is only one of the possible ways to follow. A company could also reinforce its ties with its most important multinational customers. Many of them are expanding in China and would prefer being sourced by the same supplier network as at home. Consequently, multinationals would be ready to help the suppliers of their domestic infrastructure, to establish ties with industrial parks, handle investment operations in China and hire a qualified workforce. Some would also be ready to share their expertise in the management field and help suppliers to speed up the launch of their Chinese operations.

Most of industrial small and midsize firms have to face challenges by China or to risk disappearing from their own markets over the next years. To cut operating costs is essential. But they can translate the Chinese threat into one opportunity while gathering their resources and sharing various experiences and means. This approach should not need huge capital investments. However, they should try to renew, even tap into the same enterprise energy that they used when they established themselves. With a small help from their activity peers or from customer multinational customers, they may discover they are more efficient in the Chinese market than entering it alone. ■

Source : McKinsey

DOLLAR STORES SUCCESS

They attract all customer types, all revenues and are a good strategic arm in a deflation context.

This new "generation" of stores forms the fastest-growing retail format in America and is an alternative to consumers who estimate that Wal-Mart stores are a little too expensive. They are no frills stores and their overhead costs are very low. They are generally located in strip centers, in second-tier neighborhoods whose real estate costs are very thin. They spare on marketing (Family Dollar for example prints only one advertising a year) and they employ an average of 4 persons per store. Closeouts and stock-overrun merchandise account for one part of their products and they have now expanded to more food. One dollar was the usual price of their merchandise.

There are now three categories of Dollar Stores : single-price chains such as Dollar Tree, extreme-value firms like Dollar General and Closeout specialists such as Big Lots. Definition evolved over time. Today Dollar Stores include chains specialized in deep discount not only offering merchandise at \$ 1 price point.

A Dollar store profile.

sales area	from 200 to 1,000 sq.m according to chains
merchandise mix	1,000 to 10,000 items, non-food products, home-brand products or generics
positioning	price generally 10% lower to traditional discount stores
customers	generally low revenues but more and more higher revenues
concept	price : US\$ 1

According to a recent survey by DSN Retailing Today, there are 1,047 retail chains in the U.S and 26 in Canada whose growth is similar. In fact, other than supercenters, Dollar Stores are the fastest-growing growing retail segment among food, drug and mass retailers. They were 30,000 in 2004 including nearly 4,500 opened by the top five chains in the past five years. 9,000 will be added by 2009.

Dollar Stores in figures.

No.of chains with	... units	total count of stores	% of total stores	% of total sales
15	201+	21,757	74.3%	61.2%
37	51-200	3,781	12.9	16.6
94	11-50	2,068	7.1	7.9
120	4-10	705	2.4	2.7
754	1-3	975	3.3	8.1

Source : Chain Store Guide, a division of Lebharr Friedman

Currently, more than two-thirds of US households shop at Dollar stores averaging 13 visits a year and \$ 17 per transaction. While households with low revenues account for the core of their customer groups, they attract higher-income shoppers with \$ 70,000 and over who represent the fastest-growing segment. In fact more than two-thirds of US households with yearly revenues of \$ 50,000 and over shop at them.

- <\$20,000	59%
- 20,000 / 29,999	57
- 30,000 / 39,999	51
- 40,000 / 49,999	47
- 50,000 / 74,999	43
- 75,000 / 99,999	37
- > 100,000	29

source : Retail Forward

75% of American households appreciate shopping at Dollar stores and believe that their prices are as interesting or better than they find at Wal-Mart. Dollar General offers merchandise at \$ 1, 2 even 3 and Dollar Tree at 1 dollar. Visits are planned. However more than one fourth of customers has declared that their last visit was on impulse without any particular idea in mind.

Their merchandise mix evolved from their reliance on closeouts and private labels to well-known name brands expanding their assortment recently by more food and perishables thanks to in-store coolers. Merchandise consumers buy are household cleaning products (45%), greeting cards or gift wrap/bags (34%), snacks (26%), candy and gums (24%) and home decoration (18%).

Dollar Stores sales grew in five years from US\$ 31 billion to more than 42. This growth can be maintained upwards averaging annually 5.4% to jump to 558 billion by 2009 according to Retail Forward estimates.

In 2000, top ten chains accounted for 44% of the business and today they nearly control two-thirds. In 2009, they could operate 27,000 stores versus 20,000 in 2004. In order to maintain their success and attract new customers, they will have to maximize existing store potential, improve their food distribution process, expand private brands and their direct supply capacities, propose alternative payment conditions. They will also have to increase visit frequency, average transaction amount and continue investing in their networks.

In order to face competition and keep their customers, some supermarket chains open "Dollar" sections in their general merchandise departments. It is a competitive weapon that seems absolutely imperative in a price-competitive environment and the rapidly proliferating dollar store segment. ■

Source : DSN Retailing Today
* exercise ended August 30, 2004
** excluding sales of Deals

Leading Dollar Store chains.

chain	annual sales 2004 (\$)	variation from 2003	store count
1 Dollar General*	7.66 bil.	13.19%	7,596
2 Family Dollar**	5.28	11.20	5,700
3 Save-A-Lot/Deals	4.70	6.80	1,422
4 Big Lots	4.37	4.82	1,500
5 Dollar Tree	3.12	11.68	2,830
6 Fred's	1.44	10.59	613
7 99 Cents Only	980 million	13.56	224
8 Variety Wholesalers	750	0.00	550
9 Grocery Outlet	590	1.69	122
10 National Wholesale Liquidators	499	29.95	50

SPECIAL STUDIES

THE U.S HOME IMPROVEMENT INDUSTRY HAS SET A NEW RECORD IN 2004

Last year, this type of business set a new record as it reported sales of US\$ 435.9 billion, an increase of 13% versus 2003 (385.6 billion). It was fueled by the housing boom and inflation. Prices of lumber and wood products were up 20% but they only account for one-fourth of total sales in this category according to the US Commerce Department. Both giants of the activity are Home Depot and Lowe's.

Top ten home-improvement chains by sales in 2004.

2004 rank	2003 rank	chain	2004 sales (\$ bil.)	variation (%)	2004 store count
1	1	Home Depot	73.09	12.8	1,890
2	2	Lowe's Companies	34.46	18.2	1,087
3	3	Wal-Mart	16.20	10.9	3,702
4	4	Sears	10.00	0.0	1,115
5	5	CCA Global Partners	8.70	8.8	2,385
6	6	Menards	7.00	15.4	198
7	7	Sherwin-Williams	3.97	14.6	2983
8	8	Stock Building Supply	3.58	31.0	243
9	9	84 Lumber	3.46	33.9	463
10	10	Lanoga	2.75	40.9	252

Source : NHCN

According to the same Commerce Department, home-centers/lumberyards and mass merchandisers registered the highest sales growth with respectively 16.8% and 3.0% in 2004. Home channel goods department stores grew only 0.5%.

Retail home channel segmentation : total sales breakdown by the various businesses.

	2004 sales (\$ bil.)	% of total
Home centers/lumberyards	300.50	68.94
Lawn/garden stores	40.49	9.29
Department stores*	34.56	7.93
Floor covering stores	20.44	4.69
Hardware stores	19.01	4.36
Other general merchandise stores*	11.47	2.63
Paint & wallpaper stores	9.44	2.17

* includes only major appliance, hardware, lawn and garden/home improvement-related sales estimated by Home Channel News based on U.S. Commerce Department data. Department stores include mass merchandisers and discount stores (Sears and Wal-Mart).

Channel growth.

Home improvement sales grew by 13% in 2004. They doubled compared to 6.2% registered in 2003 and quadrupled compared to 3.5% in 2002 (\$ 339.7 billion). Top five chains including Home Depot (\$ 73 billion), Lowe's (36), Wal-Mart (16), Sears (10) and CCA Global Partners (8.7) accounted for about \$ 144.5 billion or 66.6% of the Top 500's total home channel sales.

If 2004 was a good year for building materials; it was not the same for the gardening activity as its sales were up 3.2% only due to the fierce and stubborn competition from big-box stores. Its market share decreased from 9.70% in 2003 to 9.29% in 2004. In fact, gardening has been impacted by a bad weather : a rainy and cold spring in many parts of the country and a below-normal temperature in May.

However, outdoor power equipment performed well across United States. Flooring specialists had also good sales in 2004 according to National Home Center News as top 30 largest firm sales were up 9.6% last year.

Home Depot and Lowe's continue building warehouse stores of various formats and sizes. Together, they opened 318 outlets in 2004. While Home Depot (\$ 73.1 billion) is bigger than Lowe's (36.5 billion), Lowe's grows quicker (+18.2%) than Home Depot (+12.8%). Sears does not unveil its division breakdown but its home channel sales fell by 2% in 2004 according to HCN's estimates. Sears since merged with Kmart and its Orchard Supply is up for sale.

Powerful Wal-Mart, third player of this ranking with \$ 16 billion sales last year,

posted a 2.9% same-store-sales growth of its home channel activity in the first quarter 2005 compared to 2.1% for Home Depot and 3.8% for Lowe's (versus 9.9% one year earlier in the same period). Housing is still booming : housing starts in April were 11% higher than last year according to the Commerce Department and sales of single-family home sales have set records for the second month in a row.

Customer type (in % of sales)

- DIYselfers/homeowners		
	\$124.43 bil.	57.4%
- building trades/pros		
	\$ 82.68	38.1%
- industrial/commercial accounts		
	\$ 9.24	4.3%

In the long term, money invested in the home improvement activity should grow by an annual average of 3.9% between 2006 and 2009. In spite of oil price and interest rate increase combined with a weak presence overseas, some economists expect a new growth of the housing and remodeling markets. ■

Sales breakdown of all top 500 retailers for 15 product categories.

categories	sales (\$ bil.)	%
houseware	2.3	1.0
home decor	4.7	2.2
roofing	7.7	3.6
hardware	8.3	3.8
kitchen/cabinets	9.7	4.5
electricals/lighting	13.5	6.2
bath and plumbing	15.0	6.9
other building materials**	15.1	7.0
doors and windows	15.4	7.1
other*	11.5	5.3
lumber and plywood	38.2	17,6
flooring	22.0	10.1
lawn and garden	19.6	9.0
tools	17,0	7.9
paint and sundries	17.0	7.8

*includes major appliances ** includes masonry
source : NHCN

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RUSSIAN FEDERATION

Russians build more and more smaller country homes and dachas.

Extravagant architecture and superfluous spaciousness of the post-Soviet period is now over. At present, the trend is in building smaller cottages. The average area of a new out-of-town house is between 150 and 180 sq.m to compare with 250 to 300 sq.m five years ago and focus is on comfort.

In the Saint Petersburg region, construction of castles, villas and mansions that can be still found, is now over as their owners face huge operating costs which sometimes are as high as \$ 1,000 a month. Last year, 335,000 sq. m of private home were built in the "Northern Venice" area at an average cost of \$ 800 per sq.m.

While 60% of American homes are built from wood, Russians tend to use concrete or brick for 36% of their country cottages while 31% are wooden as brick is expensive, about \$ 700 per sq.m excluding decoration.

Source : *The Moscow Times*

Shopping center projects in urban St Petersburg and Moscow.

After having invested \$ 38 million in two commercial developments in St Petersburg, the builder **Torgovy Dvor** expects to convert part of Prospekt Bolshevikov metro station into a center covering 7,000 sq.m.

Torgovy Dvor already operates one complex next to the Akademicheskaya metro station, an investment of \$ 18 million, whose first phase was unveiled late August and a leisure center near Prospekt Bolshevikov, an investment of \$ 20 million. Both centers occupy 20,000 sq.m and the owner expects to repay investments between 4 and 8 years. **Torgovy Dvor** expects also to build a smaller retail center near Prospekt Bolshevikov by converting part of the metro station.

TVK Aviapark, a real estate firm, co-owned by Lev Khasis, a shareholder of the Perekryostok supermarket chain, obtained the permission from the Moscow's government to build a shopping center inside a convention center in

Moscow. The total project size will cover 550,000 sq.m of which 130,000 sq.m of shops. Construction will start in 2006 and could cost at least \$ 1,000 per sq.m.

UNITED KINGDOM

Kingfisher plc : for the 26 weeks ended 30 July 2005, pre-tax profit was down 23%.

Europe's largest DIY chain (**Brico Dépôt** in U.K, **Castorama** in France) unveiled its 1st half performance. Difficult trading conditions in both countries impacted retail profit down 22.8% to £ 254.3 million (€ 377.86 million). Retail sales were up 3.3% (or 1.8% in constant currency) to £ 4.079 billion (€ 6.06 billion). Performance was driven by international businesses in Poland, China and Taiwan while sales decreased by 2.2% to £ 2.2 billion (€ 3.26 billion) in U.K.

In deteriorating market conditions, the group will close 22 stores of 435 **B&Q** in Great Britain and convert 16 more, investing £ 200 million (€ 297 million). **Kingfisher** suffers from a lagging consumer background after the London attacks in July, a stagnating real estate market and the competition reinforcement led by **Asda** pushing into the home sector.

In France, **Castorama** sales declined by 3.2% and retail profit by 16% to £ 56 million (€ 83.20 million) as consumer spending remained poor. At constant change, total France sales grew by 4.7% to £ 1.38 billion (€ 2.05 billion) and profit fell by 2.2% to 102.0 million (€ 151 million).

revenues (£ m)	
2003	2004
3,948	4,079
adjusted pre-tax profit	
329.3	254.3
post-tax profit	
193.6	165.5

Source : *Kingfisher*

Tesco : in H1, profits rose but shares declined.

Britain's largest supermarket chain has reported a 18% increase of its net profit to £ 643 million (€ 955 million) for the first six months due to its push into non-food. Sales jumped 14% to £ 18.8 billion (€ 25.5 billion)

and income before tax £ 908 million, an increase of 18.7%. However, investors were disappointed as **Tesco** warned that second half results might be impacted by higher oil price according to the chief executive, **Terry Leahy**, and could cost **Tesco** £ 60 million (€ 89 million). According to forecasts, sales are expected to grow between 3% and 4% versus 7% in the same period in 2004. Hence a 3% decline of its shares on September 20, the very day of this announcement.

International markets now account for 20% of its earnings and its push into the non-food sector (apparel, home and mass market consumer electronics) has generated £ 2 billion (€ 2.9 billion) in sales up 13%.

NORTH AMERICA

UNITED STATES

Do American consumers have time to shop?

Consumers are more and more time-starved as they spend on average 47 hours a year in their car compared to 16 hours in 1982 hence US\$ 63.1 billion a year wasted in gas, time and various business. According to a survey by the US Labor Department in 2004, women spend three hours a day watching television that is more than half of their average five hours for leisure; men spend more time watching TV : 3.5 hours of their 5.6 hours of daily leisure.

As concern shopping, women spend an average of one hour daily in stores, including supermarkets, and men 45 minutes. According to a survey on apparel shopping by the American magazine **WWD**, it appears that younger consumers shop more specialty stores such as **Gap**, **Abercrombie & Fitch** or **Express**. 68% of the 13-to 17-year olds and 60% of the 18-to 34-year olds shop them regularly. Around 35% of the 35- to 49-year olds and 25% of over 50 shop at smaller apparel shops.

Large specialty department stores seem to attract similar figures of shoppers in all categories of age groups : first, 16% of 50 year-olds and over shop regularly at

luxury department stores such as Nordstrom, Saks Fifth Avenue and Neiman Marcus. Another large group is the 18 to 34-year olds (15%) followed by 12% of 35-to 49 year-olds and 11% of 13-to 17-year-olds.

66% of women aged 35 to 49 and 71% of those over 50 shop frequently at department stores for apparel and accessories. However, 62% of those 13 to 17 and 65% of 18- to 34-year olds shop at department stores regularly.

The study indicates that the older shoppers are the more regularly they shop via catalogues : 32% of those over 50 and 25% of those 35 to 49; 28% of the 18 to 34 and 13% of the 13-to 17-year olds said they regularly shop via catalogues.

Discounts are popular across ages and revenues and it is not surprising that low-income households regularly shop at Target and Wal-Mart. 68% of 35-to 49-year old and 59% of those over 50 year-old women shop at discounts. 78% of women with \$ 35,000 to 50,000 incomes shop them also as do 74% of those with incomes of 75,000 to 100,000. 63% of those with 75,000 and 100,000 shop regularly as do 48% of those with 100,000 (*Poor people need low prices, the rich love them, Bernardo Trujillo*).

Source : WWD

Albertson's might put itself up for sale.

America's second-largest conventional supermarket chain after Kroger is considering selling the company for US\$ 7.6 billion if the board of directors approves a definitive transaction said a company spokesman. Several candidates would be interested in taking it over including Belgian Delhaize, Wal-Mart... Tesco denied it was considering Albertson's acquisition. Investment groups would buy some pieces. Albertson's could also decide to exit under performing markets to focus on its strong core assets becoming this way, a smaller but more profitable company with leading positions in some areas.

Albertson's operates 2,500 food stores and drugstores under Albertson's, Acme, Shaw's, Jewel-Osco and Sav-on Drugs banners in 37 States and generates over \$ 40 billion in sales. But the firm suffers

from the intense competition led by Wal-Mart, lagging sales, a lack of clearly defined competitive arms and from a strike of 59,000 workers in California during four months and half. In June, it reported that its profits had nearly tripled in the first quarter due to an acquisition and the continued recovery in the Southern California market.

Joe Albertson opened his first supermarket in 1939 in Boise (Idaho).

New trend, the new combined restaurant.

Yum Brands and other fast food chains, including CKE Restaurants, Wendy's... open two restaurants under two different banners offering two different types of food, one next to the other in one single location. Such a choice attracts customers and enterprises are able to generate higher sales while building new and less-known brands. These multi-branded restaurants are a bit larger than the regular and their sales higher, ranging between \$ 250,000 and 300,000 a year.

Yum, owner of 2,700 KFC, Taco Bell, Pizza Hut and Long John Silver restaurants, is betting on this new concept for its expansion. It builds two restaurants in the same place under two different signs operating them as one unique entity : they combine kitchens, have a single line of cashiers and a staff trained to prepare two different menus. This way, Yum's is using dual restaurants such as Kentucky Fried Chicken (fried chicken) with Taco Bell (hamburger) or Long John Silver (fried fish) and A&W (all food). 15% of its 18,400 American fast food restaurants are multi-branded and this percentage will increase to 23% by 2007.

of Europeans consider home-made products as a good alternative to classical brands compared to 51% only of Asian consumers.

This suspicion is due to several factors : first, own-brand development is linked with modern retail trade expansion; in Asia, the share of modern retail trade does not account for more than 47% and is expected to reach 50% this very year. Advertising by international and national brands is also important and has a very large impact on the Asian consumer. Finally, this consumer estimates that own-brand products are reserved for people who do not have the means to buy international brands. 48% of them estimate that they should be limited to some categories of products, unveiling this way some lack of comprehension even some suspicion about their quality.

CHINA

10 predictions by the China Federation of Commerce for 2005/6.

1. important changes will occur in the fields of competition and cooperation as a result of the expansion acceleration by domestic and foreign retailers,
2. the retail industry will enter a new phase of adjustment and innovation,
3. there will be reforms in the internal and external trade,
4. intensification of economic and commercial reforms in rural zones will contribute to expand and improve consumption there,
5. upgrading of consumption will open a new era of consumption,
6. the management of supply chains and logistics improvement will increasingly grow in importance,
7. reforms of wholesale trade will generate improvement and replacement of specialized markets,
8. as consumers are increasingly conscious of their rights, improvement of products, services and quality control will be in the management core,
9. commercial credit will progressively emerge, integrity being the focus of commercial development,
10. own-brand development will increase rapidly.

source : Yahoo! News Asia

ASIA

Own-brand development in Asia.

A survey by AC Nielsen on own-brand products in 38 markets, including 13 in the Pacific Rim, found that modern retail trade succeeded in making consumers accept its own labels in Europe and U.S.A. But they are less accepted in Asia : 78%

Foreign retailers invade China.

Since the Chinese government lifted restrictions on foreign retailers, international firms are rushing in China. Under these conditions, in 2005 H1, the Minister of Commerce has approved the arrival of 245 international investment firms or six times the number authorized in 2004. That brings the total to 314 overseas-invested commercial firms, 3,997 stores and 9.2 million sq.m. However, they account for 3% of total retail sales only. Cities with the greatest number are Shanghai (12.9%), Xiamen (7.9%), Dalian (7.8%) and Qingdao (7.6%).

According to the same minister, retailing has increased 34 times since 1978 and 55,000 big-box stores were in operation in 2004, up 18% versus 2003. Last year, total retail sales grew by 30.2% to US\$ 665.84 billion and are expected to be over 739.84 billion in 2005. An average annual growth of 11% is forecasted in the next few years and sales might reach US\$ 1.23 trillion by 2010. In addition, a new legislation soon to be released will improve the context for international investments.

Otherwise, the government pushes domestic retail firms to strengthen their core know-how and it encourages the best performing ones to invest overseas.

Competition is reinforcing between hypermarket chains in Shanghai.

Hypermarket proliferation in this city is a concern for the local government as the proposed 60 units forecasted in the 10th Five-Year Plan (2001-2005) for 2005 has more than doubled the forecasted figure

Over these past years, many chains expanded in the city including Carrefour, Lotus, Loogoo, RT-mart, Dia, Hualian GMS and recently Wal-Mart with a first unit early August.

Until the end of 2004, there were already 97 hypermarkets of over 5,000 sq.m each in operation. According to recent statistics, they now occupy a total area of 1.5 million sq.m. Half of them are located within the inner-ring, the downtown area, 30% between the inner-ring and outer-ring and 20% outside the outer-ring. They are prosperous as in 2004 their total sales grew by 15% to US\$ 3.1 billion. From January to

May 2005, the figure already reached US\$ 1.89 billion.

100 National People's Congress deputies proposed in 2004 to legislate over the mega mall openings as, according to the Minister of Trade, their proliferation leads to a waste of resources, an unhealthy competition and overheating of commercial property.

Wal-Mart, will anchor Simon's Chinese shopping centers.

U.S. Property Group, in partnership with Morgan Stanley Real Estate Funds and SZITIC Commercial Property, the retail arm of the State-run Shenzhen International Trust & Investment established to coordinate Wal-Mart expansion in China, hopes to start works of a multi level urban mall this coming October anchored by Wal-Mart in Hangzhou. It is expected to be completed in spring 2007.

Simon will thus be first U.S developer to make major inroads in the Middle Empire while investing \$ 65 to 70 million in this first shopping center occupying 45,000 sq.m and located within a two-hour's drive south of Shanghai.

More than one dozen urban projects for a total of 720,000 sq.m GLA also anchored by Wal-Mart, should be added in China. Wal-Mart is already a partner of Simon, U.S. largest owner and manager of shopping centers, as it is present in its community and lifestyle centers.

Simon has just opened offices in Hong Kong, which will serve as a bridgehead to build malls and factory outlet centers in China and South-East Asia. He is already owner of 5 factory outlet centers in Japan and this year it signed a joint venture agreement with Korea's Shinsegae, one of the largest local department store chains in order to build centers in South Korea.

INDIA

The country prepares to western supermarkets. Opposition of small local retailers.

Indian retail trade generates annual sales of \$ 205 billion or 35% of local GDP. It is mainly represented by 12 million convenience stores, street markets and door-to-door

hawkers on bicycles. This domestic population is currently against the government's authorization to open up the retail sector to Foreign Direct Investments.

Shopkeepers are to be found only in rural areas and small towns where no foreign retailer has the intention to establish. In such a context, a group of Indian firms has formed a very efficient lobby against all new modern retail formats. A debate is still underway in New Delhi in order to decide what percentage of foreign ownership should be allowed as the sector could be opened up by the end of the year. But the city with a population of 15 million inhabitants has not a single supermarket chain!

All the ingredients are now gathered for a commercial revolution : a galloping demography, growing disposable incomes, an increasing propensity to spend rather than spare and 6 million Indians traveling across the world every year and exposed to the modern retail formats. It is a population aged 20-49 whose expected growth is 30% to reach 510 million in 2010. With 65% of the population under 35, it is a very young country.

Falling interest rates pushed to the development of real estate ownership and to the construction of 1.5 million new homes each year and a 10% to 15% annual growth of consumer durables sales. New credit card number should triple to 22 million in 2008.

Presently, foreign retailers who want to enter the country can do it through license and franchise agreements. Food retailers will be among the first to enjoy the new opening market as food accounts for 44% of Indian consumer spending : Wal-Mart is lobbying the government and strengthens its textile and accessory imports from India that worth \$ 1.2 billion in 2004 in its Bangalore warehouse. It expects 1.5 billion this year. Metro entered India through a cash & carry format and serves small and medium-sized businesses in Bangalore. But it is regularly accused of abusing the regulations while selling directly to individual customers.

As for other big-box retail chains, obstacles include finding suitable space in crowded high streets.

Select Citywalk, a complex of the new generation for affluent shoppers in South New Delhi.

The mix-used complex in the heart of a very rich residential catchment area and most popular shopping district will be completed in March 2006. It will include one of India's largest shopping center whose tenants have been carefully and religiously chosen to reflect the lifestyle and aspirations of new-age mobile and urban consumers and also to attract international travelers. This 130,000 sq. m complex will include :

- stores, offices and serviced-apartments,
 - a 6-screen multiplex, seating over 1,400 people, operated by PVR Cinemas,
 - a food court,
 - cost : US\$ 100 million,
 - parking to accommodate 16,000 cars a day,
 - developers : Select Infrastructure Pvt Ltd, a joint venture between Select Group, a pioneer of tourism and travel business, and Yograj Arora, a Delhi developer.
- 1.6 million consumers in the catchment area.

The centre piece includes District Centre Saket, a European-style high street and an upscale enclosed-mall air conditioned center dominating a landscaped park composed of three sectors : the traditional fashion district "High Voltage" and "Celebration Zone", a central zone. Across them, stores ranging from men's wear, ethnic wear, wedding wear, fashionable unisex casual for young students, music stores, home accessories... K Raheja Group, owner of the Shoppers Stop department store, has leased 6,000 sq.m to launch a new concept of category killer. And the famous Pantaloon Retail will open a high fashion shop under the Mint banner.

Contrary to other Indian centers which usually pre sale retail stores to small investors, Select Citywalk will adopt the western model that implies that tenants pay either a monthly minimum guarantee or a percentage of sales and instead of 9-year leases, it offers 3+3.

Traditionally, Delhi has always been India's political and economic heart, the fashion capital and shopping hub. It is also the country's

largest market by size with a potential of over US\$ 20 billion expenditure.

Presently, Delhi South shopping takes place in markets along busy roads due to inadequate infrastructure, a lack of parking spaces and electricity shortages...

JAPAN

Seiyu still struggling as loss widens, president Masao Kiuchi resigned.

Japan's 4th largest supermarket chain announced its 4th consecutive loss this year. In the first half of 2005 to June 30, loss has been almost multiplied by 4 to \$ 96.3 million due to sales down to \$ 4.38 billion while it had planned to reach the break-even point in 2005. In the whole year, forecasts remain unchanged for a net loss of \$ 68.2 million on \$ 9 billion sales.

Wal-Mart announced it would take a major stake in Seiyu as it hopes to transform it into a local subsidiary investing \$ 450 million in an overhaul of 200 stores on a total of 405 in the archipelago over the next five years. It still does not succeed in attracting the local customers who are more often drawn to specialty stores or high-end department stores providing a wider range of higher quality goods even if they remain conscious of their budget.

For 2002, Wal-Mart has been growing to 42% of Seiyu capital. It has an option to raise this stake to more than 50% by the end of this year and to 67% by end of 2007.

Daiei or the story of a giant who had no limits.

Daiei, founded in 1957 as a chain of supermarkets, moved into credit cards, hotels and shopping centers in Hawaii owning even a professional basketball team. Like other Japanese firms in the Eighties and beginning of the Nineties, its management was more focusing on its development than being profitable. Finally, its debt reached \$ 20 billion in 2001 and it had reached such a big size that it couldn't die with a workforce of 96,000 employees. In the end, it was partly taken over by the state-run Industrial Revitalization Corp in March 2005. Then an investor con-

sortium led by Advantage Partners, a private-equity firm founded by two former consultants from Bain & Co, won a very hard battle in March in its contested bidding for a 34% stake in the capital of Daiei for \$ 564 million and an option over the 34% still owned by the IRCJ over the next three years.

In fact, mergers, acquisitions and buyouts have become one of the unavoidable parts of the restructuring programs in the Land of Rising Sun as large conglomerates sell their low margin operations. There were for \$ 127.3 billion in deals so far according to Thomson Financial. Private-fund led buyouts grew from \$ 1.89 billion in 2000 to 8.7 billion in 2004.

Within ten years, Daiei's grocery activity had greatly deteriorated. Consumers left its supermarkets for more modern stores. Deflation and a sluggish consumer market hit it seriously. Former Japan's largest retail chain, it fell down to the 3rd position after Aeon and Ito-Yokado. However, communities pushed it to keep its money-losing stores open and its banks that saw its loss growing by billions in losses, were reluctant to cut its credit line. However, they pushed it to sell its subsidiaries bought over the years as Asahi Security, hotels, a sports stadium and a hotel complex, the baseball team, the shopping center in Honolulu...

Presently, Advantage Partners has the huge task to save the remaining part of the empire. As for the exercise to February 2005, Daiei unveiled a net loss of \$ 4.65 billion and an 8% drop in sales to \$ 16.4 billion. The management team has been changed and the main banks have agreed to cancel some \$ 3.64 billion in debt. According to the restructuring program imposed by IRCJ, Daiei is to close 53 of its 263 stores mainly located in suburban locations and to fire at least 2,000 persons out.

Thanks to its different sales, the debt has already been reduced to \$ 5 billion and Daiei posted an operating profit of \$ 87 million in the first quarter. Its revitalization lies in its success attracting customers again. Accordingly, stores are being revamped, networks streamlined and focus is put on quality instead of low prices...