

GLOBAL RETAIL NEWSLETTER

7 rue Fould, 78600 Le Mesnil le Roi, France
Tel 331 39 12 17 93 (direct line)

e-mail : bguillot@chabot-associates.com
Internet sites : www.globalretailnews.com
www.chabot-associates.com

SUMMARY

DECEMBER 2009

INTERNATIONAL

- . International partnership : Go Sport and Sport 2000 have signed a purchasing agreement and create the common central buying group, "International Sports Retail Development" (ISR), equally owned
- . In-store theft grew highly in 2008 : markdown rose 3.6%
- . In short : X5, Russia's largest retailer by sales, has reached an agreement to acquire local supermarket chain Paterson from Corp Invest for an amount of \$ 284 million...
- . French Casino Group acquired the minority stakes of the Baud family in Franprix-Leader Price discount chains... Wal-Mart has announced it will open 40 new stores in India in the short term... French Sephora opened its largest unit in Southeast Asia (1,200 sq.m) in Singapore in the Ion Orchard shopping center... Target remains cautious despite a strong growing net profit in Q3. The discount retailer is considering opening smaller-format stores to expand in cities...

EUROPE

- . Western Europe, and more precisely Germany, dominates top 10 most targeted countries for retail expansion in 2010
- . Activity is back in the CEE markets
- . Direct investments in retail real estate in Q3
- . MAB Development and Neinver have signed a strategic cooperation agreement
- . Eurauchan, the central buying group of Auchan and the German Anton Schlecker Group have signed a partnership agreement
- . Klépierre is reinforcing its position in Italy

BELGIUM

- . Delhaize Group posted a net profit up 28% in Q3 and reviews its forecast upwards for full year

GERMANY

- . Metro reported a stable operating profit in Q3

NETHERLANDS

- . Ahold has announced the reorganization of its U.S. activities

RUSSIAN FEDERATION

- . Seventh Continent cedes 15% of its capital in exchange for the restructuring of its debt (\$ 560 million)

. Consumers are switching to cheaper or non-branded goods, retailers are optimizing assortments in front of less expensive items and some operators re downsizing their chains to improve operational efficiency

SWEDEN

. H& M posted a 3%-decline of some-store sales in October

UNITED KINGDOM

. Marks & Spencer to sell national brands
. Sainsbury is expanding general merchandise

NORTH AMERICA

UNITED STATES

. Credit card usage to fall during the holiday season according to NRF
. Disney is launching an ambitious revamping program of its mall stores
. Wal-Mart concentrates on smaller stores. Weak third quarter sales
. Gap seeks to expand again in foreign markets in 2010
. Home Depot posted an earnings drop less important than expected in fiscal third-quarter to November 1. Lowe's earnings dropped 30%
. German investors are looking for good opportunities in the U.S. market

ASIA/PACIFIC ZONE

. Great appetite of the young population in Asia for luxury products

CHINA

. Tesco announced the construction of 3 shopping centers in north China (Anshan, Fushan and Qinhuangdao), each anchored by a hypermarket

JAPAN

. Expansion of fast fashion chains
. Nike opened a new flagship in Harajuku, Tokyo's suburbs, in a district known for its young and trendiest customers

NEAR/MIDDLE EAST

. Redevco has opened a new shopping center in Erzurum (Turkey), end of October, the second in 2 months in the same country
. The 1st Auchan hypermarket in the Gulf opened in the Dragon Mart of Dubai (UAE) in August and was inaugurated officially October 30
. Cairo Festival City (Egypt) is a mixed-use complex spanning over 3 million sq.m to be completed by spring 2012

You can also read the following studies :

- ✓ VIM or Vietnam, Indonesia and Mexico, 3 countries in which to invest
- ✓ American consumers remain cautious and frugality-oriented. In Europe, priority is given to spending reduction by this year's end

**A few lines from our articles in
GLOBAL RETAIL NEWSLETTER
DECEMBER 2009**

■ EUROPE

Western Europe, and more precisely, Germany, dominates top 10 most targeted countries for retail expansion in 2010.

According to the new report from CBRE, « How active are retailers in EMEA ? », top 3 countries include Germany for 47% of the polled retailers, followed by France (44%) and Spain (36%).

Many retailers are optimistic despite the economic uncertainties for the years to come and seek to expand in new markets. While there is a shift towards the more mature countries of Western Europe, some retailers follow an opposite approach and aim new markets. In all, 56 countries have been identified by 200 retailers looking actively at acquiring stores at the end of 2010. If Western Europe dominates the Top 10 with 7 most popular destinations, Poland, Romania and Russia were exceptions to the rule, accounting for Central and Eastern Europe in the Top 10 ranking. More than 45% of retailers expected to expand in at least one country of this region in 2010, Poland attracting 34% of the surveyed retailers.

Grocery retailing will likely register the strongest growth next year, more than 40% of retailers seeking to acquire at least 30 stores by the end of next year. More than 30% of apparel retailers will look to open at least 30 stores.

Top 15 most targeted countries :

| rank | country | %of all retailers targeting country |
|------|----------------|-------------------------------------|
| 1 | Germany | 47 |
| 2 | France | 44 |
| 3 | Spain | 36 |
| 4 | Poland | 34 |
| 5 | Italy | 33 |
| 6 | Austria | 30 |
| 7 | U.K | 29 |
| 8 | Romania | 26 |
| 9 | Netherlands | 25 |
| 10 | Russia | 24 |
| 11 | Belgium | 23 |
| 12 | Czech republic | 22 |
| 13 | Switzerland | 21 |
| 14 | Slovakia | 21 |
| 15 | Greece | 19 |

Source : CBRE

■ ASIA

Great appetite of the young population in Asia for luxury products.

A recent study from the consulting bureau Bain & Co points the importance of the Asian emerging countries with their fast growth and their increasingly wealthy populations for luxury retailers facing falling sales elsewhere round the world.

The global luxury market is expected to scale back by 8% this year to \$ 29 billion (€ 153 billion) according to estimates as sales fall 16% in the Americas, 8% in Europe and 10% in Japan.

In China, luxury sales are forecast to increase by 12% to € 6.6 billion this year. But to cater to these customers is not a simple question of duplicating the formula used at home. In Asia, according to Hurun Report, which studies information on Chinese millionaires and billionaires, the Chinese customers of luxury items are younger than elsewhere. They are mainly composed of the first-generation entrepreneurs. Generally, a 50-year old Chinese individual is worth \$ 150 million at least. He is 15 years younger than a British or an American of the same category.

Average age of someone who is worth \$ 15 million is 43. The 825,000 Chinese with personal wealth of \$ 1.5 million are 39-year old, which is, once more, 15 years less than their American or European counterparts.

Main part of their wealth is dating back to the Eighties only, which is one generation later than in Hong Kong or Taiwan.

Now, many Western luxury brands meet some difficulties locally as they try to copy in China the formula they use at home, i-e, they target too old people instead of aiming the younger and more dynamic populations. Beyond age, they also have to take into account regional cultural differences, between cities of the east coast and the interior of the country. For example, customers of luxury products in a city like Shanghai prefer Western classic ready-to-wear for business receptions. Customers from the interior prefer more casual wear.

■ VIM or VIETNAM, INDONESIA, MEXICO, To invest in these three countries.

These three countries are combining a growing population whose life expectancy is growing, an accelerated urbanization, expanding middle classes and upper middle classes, a continuous industrialization, technological progress and changing lifestyles generating a wider opening for western brands and consumption habits.

According to Deloitte Research, retailers have to continue looking beyond their frontiers despite the consequences of the American recession on the global economy : “The recession is temporary and in some parts of the world, Asia in particular, they’ve really managed to fair just fine”. Recovery will come and retailers with global ambitions will enjoy future success.

Opening stores in international markets, particularly areas like Vietnam and Indonesia “is not for the faint of heart. Companies need to have plenty of capital and a bundle of patience because success doesn’t come overnight...”

Success often generates many obstacles. Oracle says it is following the principle “Act locally and have a humble perspective.” Each market needs that the retailer adapts its strategy... Companies have to understand and to respect the nuances of the local culture and weave changes into their businesses accordingly.”

Oracle thinks also that natives of the emerging countries do not consider their countries as emerging but rather as fast-growing adding that “Fast-growing is a real indicator of the state of mind of the inhabitants of these countries.”

Vietnam.

Economic growth of Vietnam, a country that is often compared by experts to China of the Nineties, is based on a single-party government, low wages attracting

foreign investors and on high volumes of exports mainly in the textile, apparel, shoes and toys.

Top 5 Vietnamese retailers by store count.

| retailer | stores |
|--------------|--------|
| Saigon Co-op | 140 |
| Citimart | 28 |
| Fivimart | 20 |
| Casino | 11 |
| Metro Group | 10 |

Source :Planet Retail

The global crisis was felt in Vietnam but less negative consequences than elsewhere worldwide are to be seen. Real GDP growth contracted from 8.5% to 6.2% between 2007 and 2008 and is expected to drop to 4.6% this year according to IMF forecasts in October. But the future seems clearer for 2010 helped mainly by its population whose purchasing power is fast growing. If there is a huge gap between incomes of populations living in rural regions and populations living in the emerging urban markets, the country has an important concentration of a young population as almost half residents is less than 25-year old.

To read the complete article, please contact :

bguillot@chabot-associates.com or tel.+331 39 12 17 93/ mobile 33+6 70 86 64 20

SUBSCRIBE

| | |
|--|---|
| Subscription form : | |
| GLOBAL RETAIL NEWSLETTER | |
| (11 issues per year) | |
| First Name | Last Name..... |
| Position..... | Company..... |
| Address..... | |
| | |
| Zip code | City |
| Country..... | |
| Tel | Fax |
| Mobile..... | |
| e-mail@..... | |
| Sector of activity..... | |
| <p>I want to receive 1 complimentary issue of GRN in English by e-mail during 2 months <input type="checkbox"/></p> <p>I want to receive 1 complimentary issue of GRN in French by e-mail during 2 months <input type="checkbox"/></p> | |
| I subscribe to GRN : | |
| ◆ in French by e-mail <input type="checkbox"/> | or by regular mail <input type="checkbox"/> |
| ◆ in English by e-mail <input type="checkbox"/> | or by regular mail <input type="checkbox"/> |
| ◆ Licence in French or English for a firm <input type="checkbox"/> | (e-mail only) <input type="checkbox"/> |
| ◆ Licence two languages for a firm <input type="checkbox"/> | (e-mail only) <input type="checkbox"/> |
| ◆ Licence one language for a Group <input type="checkbox"/> | (e-mail only) <input type="checkbox"/> |
| ◆ Licence two languages for a Group <input type="checkbox"/> | (e-mail only) <input type="checkbox"/> |
| | € 530 TTC (VAT 5.5%) France tariff |
| | € 540 (excl.VAT) |
| | € 1,200 HT* (excl.VAT) |
| | € 1,500 HT* (excl.VAT) |
| | € 2,000 HT* (excl.VAT) |
| | € 2,500 HT* (excl.VAT) |
| <p>payment by cheque to Chabot & Associates/LLDI, or by international bank transfer</p> <p>To use credit card (Visa/ Master Card), for security reasons, please contact us.</p> | |
| <p>* Licence of Global Retail Newsletter gives you an internal copyright and authorizes you to send LLDI/GRN by e-mail to all company members without limitation and to share information legally, thus being respectful of our intellectual property rights.</p> | |

Send this form and your payment to Mrs. **B.GUILLOT**,

bguillot@chabot-associates.com

Chabot & Associates - LLDI, 7 rue Fould - 78600 - Le Mesnil Le Roi - France : Tel/Fax : +331 39 12 17 93