

GLOBAL RETAIL NEWSLETTER

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SUMMARY

APRIL 2010

INTERNATIONAL

. Investment volumes to reach \$ 478 billion in 2010
. In short : In Japan, Wal-Mart is actively looking for growth opportunities via mergers and acquisitions... Aeon is to rename all its Carrefour stores... Decathlon opens new stores in China... London department store Harvey Nichols is to open a unit in Ankara, capital of Turkey, and signed an agreement with the Turkish investment group Demsa... Cap 3000 near Cannes in the Côte d'Azur (France) is attracting 8 candidates... Trois Suisses International, France's second largest specialist of Distance Selling, has acquired number 3, Quelle La Source... Allianz Real Estate and Corio have become partners to acquire Porta di Roma (Italy)... Vicente Trius, coming from Wal-Mart, has been appointed member of the Carrefour Group's Executive Board...

EUROPE

. Urban Outfitters expects to succeed in Europe where other US retailers fell.
Abercrombie & Fitch seeks to offset in Europe its declining sales in America

BELGIUM

. Delhaize Group exceeded its target in 2009 despite a 22.9% drop in its operating profit and a 10.1% drop in its net profit in Q4
. Carrefour to launch a major restructuring program

FRANCE

. Adidas : Q4-profit fall. Adidas Runbase in Japan
. Casino in 2009 : mixed results
. The Mousquetaires independent network, 3rd largest retailer : the flagship brand Intermarché was up 1.5% in France in 2009
. Les Armoiries, a new shopping center concept, opened its doors in Bry-sur-Marne, on March 17, 15 minutes from downtown Paris

GERMANY

. Metro Group, "proud of having weathered the most severe economic crisis in 80 years"
. Tengelmann seeks to focus on Eastern Europe and sells about 100 Plus discount stores in Bulgaria and Romania to Lidl

ITALY

. Management changes at Benetton

NETHERLANDS

. Ahold interested in acquisition operations

POLAND

- . The crisis is over. New retail strategies

RUSSIAN FEDERATION

- . Sharp drop of real estate investments

SPAIN

- . Inditex accelerates its expansion in the merging countries

SWEDEB

- . H&M has launched its first organic skincare

UNITED KINGDOM

- . Marks & Spencer is focusing on its sustainable program with new commitments
- . John Lewis Partnership : the new "essentials" range helps it to grow its operating profit by 21%

AMERICAS

UNITED STATES

- . General Growth Properties : new bids and concerns
- . Home Depot is rebounding
- . Global expansion projects of Gap

BRAZIL

- . Retail sales grew in January beyond forecasts

ASIA

CHINA

- . E-commerce is very successful in this country
- . Carrefour has lost its dominant position in China
- . Wal-Mart is putting the pressure on its suppliers to consider labor and environmental conditions

INDIA

- . Pantaloon to merge 2 divisions

MIDDLE EAST

- . House of Fraser will open a department store in Dubai in 2011, its first venture outside U.K
- . Asia is the sukuk sale leader

You can also read the following studies :

- ✓ **Changes in the consumers' shopping attitude**
- ✓ **Franchising in Spain**

**A few lines from our articles in
GLOBAL RETAIL NEWSLETTER
APRIL 2010**

■ INTERNATIONAL

Changes in the consumer's shopping attitude following the global economic crisis.

According to a new report from PricewaterhouseCoopers and Retail Forward of the Kantar Retail Group, "« The New Consumer Behavior Paradigm : permanent or fleeting », the recent economic crisis has generated new shopping attitudes to which retailers and their suppliers will have to adapt to answer to the new realities of the current market and during the post recession period.

Durable changes.

72% of the consumers revealed recently that their attitude had changed deeply in the wake of the economic turmoil of those past two years and 7% only said they did not adopt any change.

Shopping data and demographic trends indicate that durable changes happened : shopping is more deliberate and more thoughtful. Ostentatious consumption will give way to a more conscious consumerism and even more practical. The perpetual quest for bargains will be replaced by more purchase selectivity and the use of buying techniques and tools discovered during the recession.

Consumer spending will change radically. Baby Boomers, who have fed the consumer spending for years and contributed to lead the way out of the most recent recessions, will not be in a position to put a term to it this time as they are near their retirement and keep their savings. However, Generation X, the aged 29-45, and the young Generation Y (the 10-28) will open the recovery way. Consequently, retailers will have to adapt their plans and their approach to attract this new generation of consumers.

A new shopping environment. The new shopper.

During the recession, shoppers were exposed and discovered a growing number of tools, techniques and programs, highly eased by emerging technologies, to help and manage their spending and maximize their savings. They are online and mobile coupons, "opt-in" e-mails, comparison shopping sites and loyalty reward programs. Customers, who got accustomed to these tools and techniques, have learnt that time spent in incorporating them into their shopping experience generated a significant return in time and dollar savings.

Consequently, retailers who wish to capitalize on this trend have to make promotions, publish more accessible information on savings everywhere for their customers and make promotion-redemptions an easy operation.

During the recovery, thoughtful shoppers will start their shopping with well specific products in mind. This strategy is now possible thanks to the Google search-engine and new shopping approaches in mobiles, which make easier finding a specific item than ever before.

For retailers and manufacturers, the growing trend of "search-engine shopping" can potentially cut their chance to emerge among all kinds of product information and make more difficult impulsive shopping due to a reduced presence in this targeted research. Consequently, it is necessary for them to optimize their search engines.

Many shopping attitudes adopted during the recession will have a durable impact on the recovery but at a lesser degree than anticipated shoppers in the heart of the recession. In the post-phase, buying attitudes and choices will be rather thoughtful and pertinent rather than panicked, as they seemed those past months. The recession moderated in the same time the excess and the extreme of an ideal consumption :

- the search for bargains, the use of coupons, shopping comparative sites will not disappear totally after the recession. Boomers and seniors will likely keep this same attitude rather than their younger counterparts.
- globally, attitudes, which consist in buying only what is necessary (one third of shoppers), delaying shopping and buying less (one fourth of them) will stabilize. But they will be more spread among older customers.

These pragmatic attitudes tied to the choice of the retailer, the product or the brand will lose of its strength with the recovery but private brands (FMCG) will keep a considerable importance due to their high quality at low prices.

What will customers buy?

The recession accelerated a cultural transformation, as customers will go away from the wasting trend towards a more limited consuming mode and wondering whether goods at full prices were ever really worth the price. Responsible and thoughtful spending will be much more socially acceptable than...

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■ UNITED STATES

Home Depot is rebounding.

Home Depot, the world's largest DIY and home improvement retailer, like its immediate competitor Lowe's, unveiled results better than expected helped by higher sales and a cost control.

In the 4th quarter, to end of January, Home depot posted a profit of \$ 342 million compared with a loss of 54 million in the same period in 2008. Sales dropped 0.3% to \$ 14.6 billion tied to store closings. Same-store sales rose 1.2% for the first time in years. During the three months, Home Depot slowed new store openings and cut its staff number.

In the year 2009, net profit rose 17.7% to \$ 2.66 billion and operating profit 10.2% to 4.8 billion. Annual sales fell 7% to \$ 66.18 billion. As for 2010, the retailer expects sales up 2.5% at stores open at least a year. It plans to improve profitability and grow profits while renewing one part of its old practices. It is to forgive the former usage consisting in sending half-full trucks to its 2,200 stores. A warehouse network, being built and to be completed this very year, will help it to combine deliveries, cut costs and shipments to stores by 50%.

Lowe's, N°2, unveiled a profit up 27% to \$ 205 million in the three-month period to end of January up from 162 million one year earlier. Sales grew by 1.8% to \$ 10.2 billion. Same-store sales dropped 1.6%, its best performance in more than 3 years. In the exercise, it posted a profit up 18% to \$ 2.66 billion and sales decreased by 7% to 66.18 billion. For 2010, Lowe's expects sales growth between 1 and 3%.

Both specialist retailers, still under pressure, noticed that consumers started to renovate their kitchen and paint their home. At Home Depot professional business usually shopped by contractors, sales were low even if the decline was not as important as before. Less performing categories included hardware, electrical goods, lumber and other building materials at high prices. Lowe's noticed the same facts.

Both said that the average basket was lower than a year before. At Home Depot, the business was driven by categories such as the kitchen and the bathroom, painting, floor coverings and plumbing categories and by the international business. Sales in maintenance and DIY repair as well as decoration (carpets, bath fixtures, tile...) remained performing categories. Transactions above \$ 900, accounting for 20% of its

U.S. sales, were down 1% compared with a two-digit decrease during the previous quarters in 2009. Sales of \$ 50 and less (20% of sales in the U.S.) rose 3.2%.

At Lowe's, high sales of floor covering and furniture indicated that consumers were ready to venture into more costly projects.

Lowe's, opened its first 2 foreign stores in Mexico in February investing \$ 18 to 20 million in units of 10,000 sq.m selling space on average.

■ CHINA

Carrefour has lost its dominant position in China.

Wal-Mart and RT-Mart International from Taiwan have both overtaken Carrefour in 2009 by the new store number and by unit sales in China according to a recent report from Beijing Business News. Wal-Mart opened 50 new units last year or 40% more than in 2008 and sales per unit at RT Mart International were higher than Carrefour.

The French retailer posted sales up 16% and opened 22 new stores in 2009.

According to analysts, this would be due to a "too flexible" management concern since each unit manager is responsible for purchasing, promotions and prices. They also believe that gross profits of Carrefour stores would depend too much from suppliers (60% of its profits in China). Its competitors, Wal-Mart and Tesco, adopted different business plans, choosing having a presence in shopping centers and operate a community grocery store while Carrefour used its hypermarket model.

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