

GLOBAL RETAIL NEWSLETTER

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SUMMARY

FEBRUARY 2010

INTERNATIONAL

. Investing in the BRIC is considered as a relatively safe and highly profitable bet considering consumer demand
. In short : French retailer Auchan is planning to launch an everyday low price formula in one hypermarket in Mulhouse in March 210.... Go Sport has reported a new revenue decline in 2009... Carrefour plans to open 100 new units in Turkey by 2010; it will expand in Singapore and expiration of its agreement with the Japan-based retailer Aeon... The Russian Ramstore retailer (19 supermarkets) will adopt the new name of Citistore... Mall of Russia : the opening of this shopping center, located in the business district of Moskva-City, has been postponed from June to fall 2010... Ahold unveiled fourth-quarter slowing sale growth... Tesco opened Jan 9 in China the 1st of its 3 "Lifespace" centers anchored by a hypermarket in Qingdao...

EUROPE

. European retailers are ready to face a morose environment in 2010

BELGIUM

. Delhaize Group : revenue growth of 2.6% at identical exchange rates (excl.53rd week in 2008) in 2009

FRANCE

. Will business property start again in 2010?
. Carrefour posted a modest gain in 4th quarter
. Casino has reported sales down in France (-4.8%) and up overseas (+6.7%) in full-year 2009
. French largest independent Group, Centres E.Leclerc, reported total sales up 5% in 2009 to € 29.4 billion, excluding gas

GERMANY

. Metro is reinforcing its presence in international markets and full-year sales
. Praktiker : accelerating sales decline in the 4th quarter

PORTUGAL

. Jeronimo Martins : full-year sales growth

RUSSIAN FEDERATION

- . Retail property market : the deepening crisis revealed the weakness of the market and its players in 2009 as well as the mistakes of the projects during the peak years of growth
- . Magnit revenues rose 28.1% in 2009
- . McDonald's rents will be more expensive in Moscow

UNITED KINGDOM

- . While times remain difficult for Marks & Spencer, Next and John Lewis Partnership posted strong results during the Christmas holiday season
- . Tesco : the loyalty focus helped to grow sales during the holiday season
- . Kesa Electricals improved sales in most subsidiaries

NORTH AMERICA

UNITED STATES

- . Unexpected retail sales drop in December. Store closings still in view. Developers grant concessions to their tenants
- . Home equipment and furniture retailers : sales up in Q4
- . Wal-Mart seeks to cut its supply chain costs this year

LATIN AMERICA

- . Wal-Mart de Mexico : sales up 10% to \$ 20.6 billion in 2009
- . CBD plans to list 3 growing divisions locally in Brazil
- . Nationalization of Exito in Venezuela by Hugo Chavez

ASIA

CHINA

- . Metro accelerates its expansion in Asia and Media Markt is to enter China
- . Department stores are enjoying the economic rebound as consumers are back into stores

INDIA

- . Carrefour : one agreement with Kishore Biyani of Future Group is expected to be signed shortly to open franchisee stores in India
- . Yum Brands is betting on the young population for its growth

JAPAN

- . Forever 21 set to expand in the archipelago : 3 stores are planned in 2010. Fast Retailing in full expansion

You can also read the following studies :

- ✓ **Global Powers of Retailing in 2008/9**
- ✓ **Big American retailers by capital expenditures in 2009**

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

■ **INTERNATIONAL**

Global Powers of Retailing in 2008/9.

The new edition of the Global Powers of Retailing by Deloitte Research identifies the 250 largest global retailers according to their financial exercise by end of 2008 and for some of them until June 30, 2009. The economic growth ending in 2008, recession emerged in the U.S. and expanded across the world. Consequently, retailers faced an environment characterized by slowing household spending and high shakes in the real estate, employment and credit markets.

Total retail sales of the 250 Champions exceeded US\$ 3.8 trillion in 2008, an increase of 5.5% from 2007 (\$ 3.6 trillion). But, the global recession weighed on their financial results and their profitability declined from 3.7% in 2007 to 2.4% in 2008.

Among two thirds of the 184 retailers having published their results, 30 declared losses up from 14 one year earlier.

In 2008, of the 250 global retailers, 61 saw their sales falling compared with 44 in 2007. However, despite the situation and taking into account the change fluctuations, sales rose 6.3% in 2008 from 7.6% in 2007.

All geographic zones and all retail segments were impacted but Europeans suffered the most and their profitability fell an average of 4.1% in 2007 versus 2.7% in 2008 while North Americans were down 3.6% to 2.4%. Middle East and African retailers were the only ones to be more profitable.

Among home equipment retailers, profit margins slid by almost half, from 6.8% to 3.1%. Apparel retailers registered negative sales and profits divided by 2 down to 4.1%. Grocery retailers' profits dropped from 3 to 2.2% on sales up 8.6%.

Top 10 global retailers.

company	country of origin	2008 rank	08 sales (\$ US mil)	growth (%)*	2007 rank
Wal-Mart	USA	1	401,244	9.4	1
Carrefour	France	2	127,958	4.3	2
Metro	Germany	3	99,004	4.8	4
Tesco	U.K	4	96,210	12.0	3
Schwarz (Lidl)	Germany	5	79,924 (e)	12.3	7
The Kroger Co	USA	6	76,000	7.2	6
The Home Depot	USA	7	71,288	1.9	5
Costco Wholesale	USA	8	70,77	11.2	9
Aldi	Germany	9	66,063 (e)	5.1	10
Target	USA	10	62,884	6.1	8

Source : Deloitte (e) estimation \$5 year-annual average sales growth

In 2008, Top Ten global retailers were the same as in 2007 but their ranking changed. They accounted for more than 30.2% of total sales of the 250 global retailers up from 29.6% in 2007. Wal-Mart was still the leader, Tesco declined from the year earlier sitting now in the 4th rank and Metro jumped one to the 3rd. Schwarz (Lidl) enjoyed from a strong internal growth and the euro strength moved up two positions to the 5th as Home Depot, which suffered highly from the housing crisis in the U.S., declined to the 7th...

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■ RUSSIAN FEDERATION

Retail property market : the deepening crisis revealed the weakness of the market and its players in 2009 as well as the mistakes of the projects during the peak years of growth.

According to Colliers International, the most attractive and top quality assets were managed in a way to avoid a growing vacancy rate as well as the rental fall. In 2009, the total supply of the retail property market grew by almost 900,000 sq.m to 4,857,000 sq.m (2,535,000 sq.m GLA). Early December, the average vacancy rate in Moscow was about 5% and is expected to maintain at this level by this year's end.

At the end of the 3rd quarter, rents were stable in Moscow shopping centers. So far the rate was calculated as a fixed rate plus a percentage of sales, the fixed part was generally very low, while it is now increasing. Annual indexation varies from 3 to 7%. More, at the end of 2009, owners of successful shopping centers stopped offering rebates and rents are now expected to rise again. However, many real assets, which face difficulties in renting their spaces today, continue offering some discounts according to Colliers Russia.

Despite the current environment, new brands entered the market last year such as Kika (furniture), H&M, River Island, New Look, Gap, Fun City...

A certain number of projects continue being developed in Moscow and will be completed within 2 to 3 years for some major developments. However, there is no new project on this market. Regional projects are being unfrozen mainly in cities missing quality assets and with high-revenue households.

■ UNITED STATES OF AMERICA

Wal-Mart seeks to cut its supply chain costs this year.

This decision is part of a plan seeking to grow the part of merchandise bought directly from manufacturers rather than from suppliers or third-party sources. World's largest retailer estimates that it is an opportunity to consolidate its global sourcing as "a major source of leverage for the company in years to come."

With annual sales exceeding \$ 400 billion, Wal-Mart is famous for having harsh negotiations with its suppliers, operating its buying power to obtain reductions. It spends almost \$ 100 billion to buy private-label merchandise such as its Faded Glory, George apparel or Great Value grocery brands. But, it acquires less than one fifth of its goods directly from manufacturers and has generally purchased country per country.

Now, Wal-Mart has estimated that direct purchases might cut its supply-chain costs by 5-15% in 5 years and make it able to save \$ 4 to 12 billion potentially if it reached its long-term goal of sourcing directly at 80% of its needs.

In part to try combining purchases of the 15 countries in which it has a presence, the retailer has established 4 global merchandising centers for apparel and general merchandise including one in Mexico City focusing on emerging markets and one in U.K to serve its George line.

By the end of 2010, it plans to buy directly sheets and towels for its stores in the U.S, Canada and Mexico as well as apparel for its Faded Glory line... It also expects to expand its combined purchasing to fresh fruits and vegetables for stores of these 3 countries after an initial test with apples, which helped it to cut by 10% its purchasing costs. It expects to still expand this program to other categories such as seafood, frozen food and dry-packaged grocery.

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