

GLOBAL RETAIL NEWSLETTER

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SUMMARY

JULY 2010

INTERNATIONAL

- . Global retail rental market stabilization
- . In short : Ahold posted a net income up 45.7% in the 1st quarter... Swiss Coop Group, second largest Swiss retailer after Migros, has signed a master franchise agreement for The Body Shop in Switzerland and Lichtenstein and has acquired The Body Shop Switzerland... Sainsbury : slowing like-for-like sales in the 1st quarter... Immochan, French Auchan property arm, will build its 1st "positive energy" building to create more energy than it will consumer in 2011 in south of France ... Allianz Retail Estate is acquiring 75% of St Quentin shopping center in the Paris area from Hammerson Group... New Samaritaine will open its doors by the end of 2013, cover 23,000 to 26,000 sq.m and include stores, offices, a hotel and social lodgings...

AFRICA

- . Emergence and expansion of local leaders

EUROPE

- . Commerz Finanz or consumer credit in Germany

FRANCE

- . Paris Sunday opening
- . Lacoste just opened its online store in France, the 1st in Europe
- . Distance Selling : e-commerce is in full prosperity

GERMANY

- . Karstadt department stores acquired by Nicolas Berggruen in partnership with BCBG Max Azria. Final decision July 16
- . Rewe driven by the domestic market in 2009

NETHERLANDS

- . Ahold says consumer spending remains under pressure

POLAND

. Significant improvement of the real estate investment market in Europe especially in Poland in the 1st quarter of 2010

RUSSIAN FEDERATION

. Kingfisher plans to invest highly in Russia

SPAIN

. Inditex posted a net profit up 63% during the 1st quarter

UNITED KINGDOM

. Tesco after Terry Leahy

. Asda to buy Netto for \$ 1.12 billion. An operation to help it regain its number two position of the British food retailing

AMERICAS

UNITED STATES

. Will Toys R Us go public again?

. Department stores have to adapt and change : observations

NEAR EAST

TURKEY

. Turkey is again an attractive market for international investors

. H&M : 1st store planned in Istanbul by the end of this year

ASIA

CHINA

. Auchan is planning to list its Chinese activities on the Hong Kong stock exchange to raise between \$ 671 to 823 million

. American apparel retailers are thinking about alternatives as they now face the recent labor cost growth

. E-commerce boom

INDIA

. Bharti Retail plans to double its store number this year. Other retailers, boosted by demand, are ready to venture into a second expansion wave

. Inditex has opened a 1st Zara store in India at the end of May

You can also read the following studies :

✓ **Global retailers expansion opportunities in 2010**

✓ **Franchising in Tunisia**

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

■ **AFRICA**

Emergence and expansion of local leaders.

African firms are currently expanding aggressively boosted by the demand of a growing middle class. Among these new firms, there are Nakumatt Holding in Kenya, the leading supermarket chain of Eastern Africa, MTN Group, Africa's largest supplier of cell phones and the South-African restaurant chain, Spur Corp (348 units), which already expanded to 7 neighboring countries.

Nakumatt chose to mimic the U.S. discount stores of Kmart, which were visited in the Eighties. Its founder, Atul Shah, a former mattress seller, impressed by the clean American stores selling food, furniture and homeware under the same roof, spent several months to study the concept. Back to Kenya, he opened the small shop Mega in which he sold food and some homeware. It was clean and alleys wide making customers able to move easily. With years, he added some new products including furniture.

This African "Sam Walton" is expanding fast, opening 5 new stores in the past 3 months alone so that he has become **THE** supermarket chain in Kenya with 24 stores catering to a middle class looking for African and import products. In 2009, its sales of \$ 350 million were up 76% since 2006. Beyond Kenya, Nakumatt opened 1 food store in Rwanda and 1 in Uganda and it has plans to expand to several cities of Tanzania and Burundi.

Investment and retail growth from African firms in Africa contributed to offset the impact of the global economic crisis. The retail growth was partly boosted by the emergence of young African banks, which opened branches in the continent and supplied a major part of the capital to local firms. The Ecobank of Togo has offices in 27 African countries and \$ 9 billion assets at its disposal. In Nigeria, the Guaranty Trust Bank PLC, established 10 years ago, operates in 5 countries of English-speaking Africa...

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■ INTERNATIONAL

Global retail rental market stabilization.

Rents of the most important destinations for retailers stabilized in most markets. They rose in a certain number of them in the 1st quarter of 2010 according to CBRE. With the global recovery, consumer and retailer confidence has started improving. If this has not yet been translated into the retail growth in most countries, demand of prime quality space remains solid and the vacancy rate of the best locations is low.

New York is still the most expensive city followed by Sydney and Hong Kong. London sits in the 4th position after a 20%-annual growth of its rents since the 1st quarter of 2009 and a still strong demand and low vacancy rates in its best locations. It is interesting to note that some of the fastest growing retail rents were in Latin America : Rio de Janeiro, Mexico City and Santiago. But, there are some significant variations between regions and markets.

Top 20 most expensive global retail rental cities in the 1st quarter 2010.

| cities | Rent \$/ Q1 2010/sq.m/year | Rank Q4, 2009 | Cities | Rent \$/ Q1 2010/sq.m/year | Rank Q4, 2009 |
|---------------|---------------------------------------|--------------------------|---------------|---------------------------------------|--------------------------|
| New York | 18,560 | 1 | Guangzhou | 5,939 | 1 |
| Sydney | 12,420 | 2 | Los Angeles | 5,380 | 2 |
| Hong Kong | 10,480 | 3 | Milan | 5,293 | 3 |
| London | 9,264 | 4 | Chicago | 5,164 | 4 |
| Paris | 8,510 | 5 | Munich | 5,154 | 5 |
| Moscow | 7,768 | 6 | Rome | 5,014 | 6 |
| Tokyo | 7,650 | 7 | Singapore | 4,690 | 7 |
| Brisbane | 7,187 | 9 | Frankfurt | 4,379 | 9 |
| Zurich | 7,110 | 8 | Berlin | 4,207 | 8 |
| Melbourne | 6,110 | 10 | Dublin | 4,120 | 10 |

Source : CB Richard Ellis

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■ INTERNATIONAL

Global retailers : expansion opportunities in 2010.

Global Retail Development Index (GRDI), annual survey of 30 emerging markets conducted by A.T.Kearney, helps retailers to fix the strategies of their global expansion while ranking the commercial attraction of these countries. Scores are based on 25 variables including political and economic risks, the retail market growth and saturation... **This year, Middle East and North Africa are the most attractive regions.**

Retailers, impacted particularly by the slowing growth in the developed market still in recession, should focus increasingly on their international expansion. However, in most developing markets retailing is back to birth. Interesting real estate is still difficult to find, competition remains fierce, led by local and foreign players and middle classes continue growing.

Global Retail Development Index : Top 20 markets in 2010

| country | 2010 rank | 2009 rank | country | 2010 rank | 2009 rank |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| China | 1 | 3 | Tunisia | 11 | 14 |
| Kuwait | 2 | NA | Albania | 12 | NA |
| India | 3 | 1 | Egypt | 13 | NA |
| Saudi Arabia | 4 | 5 | Vietnam | 14 | 15 |
| Brazil | 5 | 8 | Morocco | 15 | 19 |
| Chile | 6 | 7 | Indonesia | 16 | 22 |
| United Arab Emirates | 7 | 4 | Malaysia | 17 | 10 |
| Uruguay | 8 | NA | Turkey | 18 | 20 |
| Peru | 9 | 18 | Bulgaria | 19 | 21 |
| Russia | 10 | 2 | Macedonia | 20 | NA |

Source : A.T.Kearney NA Not Available

While China (10% GDP growth expected in 2010) and India (8%) continue leading their fast expansion, the Asia-Pacific region is no longer the only one to be attractive. In Middle East markets, growth is still brilliant and Latin America resisted the recession quite well. Consequently, this change of the competitive landscape shows that firms have to compare different markets for various prospects.

The Asia-Pacific region.

China and India, ranked in the Top 2 positions, still offer major opportunities for retailers. Post-recession prospects are fair, domestic demand and exports increase, retail sales are stabilizing and consumers' confidence is back. Food still accounts for two thirds of the organized retail sales, but the share of spending in this sector is declining year after year to the expense of clothing, transportation, appliances and leisure activities. Hypermarkets and convenience stores are the preferred formats but local competition is fierce.

China is back at the top of the ranking for the 1st time since 2002. The government's stimulus program of \$ 585 billion boosted GDP to 8.7% and 10% at least are expected in 2010. Retail sales rose 8.2% in 2009 and would increase by more than 9% this year. Consumers are increasingly accustomed to modern stores and the country size continues offering opportunities to retailers.

The retail trade is highly fragmented, but the trend is to consolidation through organic growth of foreign retailers and through mergers and acquisitions. Top 20 retailers increased their share from 4.9% in 2004 to 8.6% in 2009. Home brands are growing rapidly. Demand of luxury products remains strong.

Foreign and local retailers continue leading their expansion plans (Wal-Mart, Carrefour, RT-Mart). New banners are interesting in this country such as Macy's department stores and Germany-based Metro Group (Media Markt). Hypermarkets have the most important development and take market shares from supermarkets especially in big cities. Convenience stores are rapidly expanding, department stores are growing but still slowly.

It is necessary to pay attention to the inflation and property bubbles, currency appreciation, government's stimulus programs concentrated on infrastructures rather than on domestic consumption.

India, in the first position in 2009, scaled back to the 3rd. While retail growth is...

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