

GLOBAL RETAIL NEWSLETTER

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SUMMARY

JUNE 2010

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- . Profitability : EBIT comparison between foreign retailers and French retailers shows that foreign retailers have higher margins
- . In short : Turkish discount retailer BIM aims to invest \$ 82.6 million to open 300 stores in 2010... Carrefour seeks to acquire Ipek supermarkets in Turkey for \$ 29.8 million... Unibail Rodamco : French Lyon La Part-Dieu shopping center expanded its space recently by 15,000 new sq.m... Ikea has planned to open 12 stores in Spain... Few new shopping centers in Poland over 2012... Wal-Mart might build its own stores in Russia... Majid Al Futtaim will invest \$ 3.5 billion over the next 5 years in 4 new shopping centers in Syria, Egypt, Lebanon and the Emirates... Uniqlo has opened its largest flagship in Shanghai mid-May during the opening of the World Expo...

EUROPE

- . British Resolution Property acquired McArthurGlen in Troyes (France) for € 85.5 million

BELGIUM

- . Delhaize Group : operating profit down in Q1

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- . Galeries Lafayette sold Cap 3000
- . Kiabi, France's clothing leading retailer is expanding in foreign countries aggressively
- . Pinault-Printemps-Redoute : in the 1st quarter 2010 activity rebounded in the Group's 3 banners : Fnac, Conforama and Redcats
- . Foreign fast food chains in France: KFC, McDonald's and the others...

GERMANY

- . Metro, back on a profitable growth track

ITALY

- . Allianz Real Estate acquires Porta di Roma in partnership with Corio

NETHERLANDS

- . Corio expects to invest € 4 billion in acquisitions over 2015

UNITED KINGDOM

- . Harrods sold to Qatar Holding for \$ 2.22 billion
- . Wal-Mart appointed a new president and ceo at the head of Asda. Asda just bought 193 Netto discount stores in U.K from Danish Dansk Supermarked for \$ 1.12 billion
- . Sainsbury doubled its profits in 2009/10

AMERICAS

UNITED STATES

- . Owners and managers of American shopping centres
- . Wal-Mart changes strategy : it explores new ways, seeking to open small stores to fight against food discount stores that nibble a part of its core customers
- . Wal-Mart : U.S. slow growth in the 1st quarter. At Home Depot, net income jumped significantly

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- . New foreign entrants in China will reinforce competition in the electronics market

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- . Will Carrefour enter India soon?
- . Reliance Retail is focusing on hypermarket development
- . Will Gap have a presence in India?

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- . Retail demand growth

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- . Korath Holding to invest \$ 272 million to expand in the retail market

You can also read the following studies :

- ✓ The most international retailers in 2010
- ✓ Emergence of big malls in Brazilian Amazon
- ✓ Boosted by consumers' changing attitude, factory outlet centers attract an increasingly number of retailers

A few lines from our articles in GLOBAL RETAIL NEWSLETTER JUNE 2010

■ INTERNATIONAL

Profitability : EBIT comparison between foreign retailers and French retailers shows that foreign retailers have higher margins.

EBIT comparison of foreign retailers vs. French retailers.

Foreign retailers		French retailers	
Target, USA	7.4%	Casino	4.5%
Colruyt, Belgium	7.0%	Auchan	3.3%
Publix, USA	6.9%	Carrefour	3.2%
Tesco, U-K	6.0%	Sogara	2.7%
Wal-Mart, USA	5.9%	Guyenne et Gascogne	1.3%

Source : Casas & Associés/FCD

In France, the growth gap between industrials and retailers is to the profit of the industrials.

The FCD survey by Casas & Associés compares results of 25 food retailers (5 French, 13 Europeans excluding France and 7 North-Americans) with 25 worldwide industrials of consumer goods (9 French, 8 Europeans excluding France and 8 Americans).

From the comparison of 5 French surveyed retailers (Auchan, Carrefour, Casino, Guyenne & Gascogne and Sogara) and 9 French industrials (Bonduelle, Bongrain, Danone, Fleury Michon, Fromageries Bel, l'Oréal, Pernod, Rémy Cointreau and Seb), it appears that following the Law of Economy Modernization in 2008, the EBIT gap between the two sectors grew to the profit of the industrials with 9.2 points in 2009 : 12.9% for the first category and 3.7% for the retailers. As for EBITDA, the gap is 9.6 points.

Between 2000 and 2009, EBIT margin of retailers grew from 3.5% to 3.7% and EBITDA from 6.0% to 6.1%. Meanwhile, EBIT of industrials rose from 8.6% to 12.9% and EBITDA from 12.1% to 15.7%.

More precisely, between 2008 and 2009, EBIT at retailers slid from 3.9% to 3.7% in 2009. On the other hand, EBIT at industrials rose from 12.1% to 12.9% last year. EBITDA fell from 6.2% to 6.1% for the first category and grew from 14.6% to 15.7% for the second category.

■ UNITED STATES

Wal-Mart changes strategy : it explores new ways, seeking to open small stores to fight against food discount stores that nibble a part of its core customers.

Wal-Mart announced that its growth in the U.S would be driven by "new innovative formats". To reach this goal, it will be less focused on supercenters and more on smaller urban stores and zones where consumers can pick up their online orders.

Those past years, the retailer highly slowed down its openings of new hypermarkets (supercenters) in the U.S, from 132 in 2007 to 49 in 2009, bringing their total to 2,747. It operates also smaller formats : 152 Neighborhood Markets, focused on food and located in small cities and suburbs, are units of 3,600 sq.m of space. It tested Marketside, 4 units of 1,350 sq.m only with first disappointing performance and Supermercado de Wal-Mart catering to Hispanic customers. In Mexico, where it is the retail leader, it operates 7 various formats for various customer segments and most of them are smaller than its American supercenters.

While it registered 3 consecutive quarters of slowing sales in the U.S. to which it answered by price cuts on many products in April, it faced a stronger competition. It is led by discount store chains such as Save-A-Lot of Supervalu, whose stores range from 1,350 to 1,450 sq.m and by the American Aldi discount stores (1,500 sq.m of average space), which grew during the crisis. At Supervalu, managed by a former ceo of Wal-Mart Latin America, the aim is to double the Save-A-Lot store number from 1,197 to 2,400 by 2015. On its side, Aldi opened 83 discount units in one year and just entered Texas. It expects to add 72 new stores by the end of 2010 bringing its total to 1,084 in 31 States.

■ **The most international retailers in 2009/10. Most preferred destinations for retailers venturing outside their base.**

Key factors.

According to the new annual global retail report by CB Richard Ellis (CBRE) of 294 global retailers in 69 countries, it appears that retailers from all sectors continued their international expansion despite the global economic and financial crisis. They reinforced their presence outside their own country by 12% approximately in 2008 and slowed down this growth pace to 4% in 2009. In short, they not only went on internationalizing but globalizing as more than 40% of all new destinations in 2008 were outside their own base, a percentage that rose to 43% in 2009.

- 49% of all retailers, or almost half of them, were present in each of the 3 main regions of the world, but this presence has varied highly. The most international retailers were present in more than 60 countries and 170 cities. Others were present in the 3 regions, but only in 5 to 10 key markets and in 10 to 15 major cities.

- retailers from the luxury, value and denim sectors apparently have the largest networks, operating stores in about 25 countries and 50 to 55 cities. They also are the most international, 70 to 80% of them having expanded across the three global regions.

Supermarket chains are generally present in 10 countries and 30 cities. Department stores and home improvement specialized retailers have more limited networks and are expected to expand their presence outside their own base.

- North-American retailers are the most international, 70% of those who are analyzed in this report are present in the three major global regions. Their preferred destinations are London, Dubai, Tokyo, Sydney and Mexico City.

- Europeans are in priority present in the Middle East, a region accounting for one of their 6 preferred markets outside Europe. China is also a key target (Beijing, Hong Kong and Shanghai).

- Asian brands are expanding less and 60% of the surveyed retailers stay in their own country. When they decide to internationalize, their preferred cities are London, Dubai, New York and Paris.

- **United Kingdom remains the most important market for international retailers thanks to the power of London.** The country has attracted 58% of these surveyed retail brands or much more than any other country across the world and almost all of them are present in London despite the global economic crisis. Generally, Europe is the most international retail market. This region continued dominating the ranking of the Top 20 countries and the 5 largest economies are all sitting among the Top 8 international retail destinations.

- The Emirates are sitting in the second position of the most preferred destinations of the international retailers, the United States in the 3rd and China in the 5th. It mirrors the manner in which they target emerging markets in addition to more retail established destinations.

Top 15 global countries in 2010

Rank 2010	country	% of retailers present :	Rank 2009
1	United Kingdom	58	1
2	United Arab Emirates	54	3=
3	United States	51	2
4	France	50	3=
5	China	47	7
6	Spain	46	5
7	Germany	45	6
8	Italy	45	8
9	Saudi Arabia	43	10
10	Hong Kong	42	9
11	Kuwait	41	12=
12	Russia	41	11
13	Japan	39	12=
14	Singapore	38	14
15	Belgium	37	17=

Source : CBRE

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