

# GLOBAL RETAIL NEWSLETTER

5, rue de Châteaudun, 75009 Paris, France  
Tel/fax +331 48 74 64 70 (direct line)/+336 70 86 64 20

e-mail : [bguillot@chabot-associates.com](mailto:bguillot@chabot-associates.com)  
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## SUMMARY

OCTOBER 2011

### **INTERNATIONAL**

- . Ten countries ranked by the Foreign Direct Investments in 2010
- . World's Top Ten most expensive shopping streets in 2011
- . Brand value: Apple has become the world's second largest brand after Google and is now worth \$ 39.3 billion

### **EUROPE**

- . Westfield Stratford City, Europe's largest shopping center, was opened September 13, in east London, next to the site of the 2012 Olympic Games
- . Spanish department stores El Corte Ingles would be close to a deal with Metro AG for the Galeria Kaufhof
- . *In short*: French Casino retailer would plan to open 30 hypermarkets and 5 small units in Bahrain, the Emirates and Kuwait over the next 3 years... J.C.Penney: Pershing Square Capital and Vornado Realty Trust grew their stakes in the capital of the department store chain... Wal-Mart has hired Lev Khasis, former ceo of X5, Russia's largest retailer, before his departure in March for "personal reasons"... Belaya Dacha is the first Russia's outlet village mall due to open in April 2012 in Kotelniki, in the Moscow region, developed on 38,000 sq.m by the American real estate firm Hines... H&M will open a first flagship in Bulgaria by March 2012... As Group Arnault SAS has bought 961,634 call options of Carrefour, Blue Capital, Colony Blue Investment and Groupe Arnault SAS have now reached 20% of the voting rights of the world's second largest retailer by sales... French PPR Group has decided to postpone the sale of the Redcats business... Immochan has unveiled its Europa City project in Paris area...

### **FRANCE**

- . American retailer Costco to enter France and open wholesale clubs
- . Intermarché independent network plans to expand its Express convenience store network in big agglomerations including Paris
- . e-commerce continuous growth in H1

## **FEDERATION OF RUSSIA**

- . Kingfisher plans to expand Castorama in Russia

## **SPAIN**

- . Inditex: net profit up 14% in fiscal first half

## **SWEDEN**

- . Ikea plans to develop in Spain and U.K and seeks to expand its kitchen customers in the U.S.

## **UNITED KINGDOM**

- . Marks & Spencer new bets: the retailer is to embark in a second major revamp plan
- . Kingfisher, boosted by France, in H1.
- . Kesa will continue operating its loss making Comet retailer in U.K. Declining performance during the period running from May 1 to September 15 due to a difficult economic context and an unfavorable comparison with last year (World Cup)

## **AMERICAS**

- . New trend: store size begins to shrink
- . The Home Depot Inc venturing into the Drive concept
- . Zara has been launched online in the U.S.
- . Esprit to sell stores in North America and retire from several European markets
- . Best Buy, world's largest electronics chain, is losing investors' confidence, who worry to see its business going out of date in face of growing online sales
- . Toys R Us has found its way between Wal-Mart and Amazon.com
- . French Rallye and Casino reinforce their position in Brazilian GPA

## **ASIA**

### **CHINA**

- . To boost its expansion, Wal-Mart joins its forces with online players
- . Inter Ikea Centre Group, Ikea developer, is growing the surface of 3 malls in China and expects to build a 4<sup>th</sup> mall in Shanghai

### **JAPAN**

- . Tesco has decided to retreat from the archipelago and sell its operations, as it prefers investing in more promising countries such as China and South Korea
- . Fast Retailing has announced an aggressive expansion plan to catch up its competitors Gap and Zara and aims to be the world's largest apparel chain in 2020 with sales of \$ 60 billion

**You can also read the following studies:**

✓ **Asia-Pacific's 500 leading retailers in 2011**

**A few lines from our articles in  
GLOBAL RETAIL NEWSLETTER  
OCTOBER 2011**

**■ UNITED STATES**

**New trend: store size begins to shrink.**

Big boxes of 20,000 sq.m and more dominated the retail market during the past two decades. Now, the context has changed under the impact of online retailing, demographic changes in favor of urban centers and the attitude of the new customer, who seeks to shop in a more intimate environment.

Beyond the store size, fashion retailers now concentrate on the introduction of dressing rooms and the use of lighting or smells to attract customers, as they are forced to adopt a new approach. In fact, the Baby Boom Generation has started to enter retirement and the number of women at work continues rising, having jumped to 65 million in 2010 from 19 million in 1964 according to the Labor Department.

In this context, J.C.Penney recently opened a smaller store in San Francisco and will roll the concept out on 5,000 to 6,000 sq.m compared with 10,000 sq.m for its traditional department stores.

Wal-Mart is now opening Express stores of 1,500 sq.m, but continues to expect that its growth would be driven by its Supercenters (hypermarkets) over the coming years. Sears Holdings and Best Buy explore the possibility to sub-lease part of their size to outside retailers. Target plans to build City Target stores of 6,000 to 10,000 sq.m, adapted to the urban market compared with 12,000 to 16,000 sq.m for its traditional units.

There is now a new urban consumer type called the WOOF or “well-off old folks”, households without children in their Fifties and more, who left suburbs after selling their houses to come back to the city.

Generation Y, or people in their 10 to 28 years, counts 80 million persons and also accounts for an urban cohort that may rent longer in cities than the previous generations. The 25 to 34-year old generation of college-educated people has rushed to city centers according to figures from the Census Bureau in 2000 and comparing them to surveys led from 2005 to 2009. In the 51 largest metropolitan zones of the U.S., the number of young college-educated people grew by 26% compared with 13% in the suburbs.

These demographic changes combined with the economic crisis are a hard blow for big boxes. In the U.S., there was almost 5.5 s.mq of retail space per capita in 2010 up from 4.05 sq.m in 1990 according to the real estate firm CoStar.

## ■ JAPAN

**Fast Retailing has announced an aggressive expansion plan to catch up its competitors Gap and Zara and aims to be the world's largest apparel chain in 2020 with sales of \$ 60 billion.**

Fast Retailing casual-clothing chain wants to open 200 to 300 stores annually outside Japan mainly in Asia over the next 3 years: 100 in China, 100 in Southeast Asia, 50 in Korea and 30 in Taiwan compared with 20 in the U.S and Europe combined, in order to control 4,000 by 2020. It will use disposable funds for future investments such as mergers and acquisitions and not for share buybacks.

Japan's largest apparel retailer by sales is also studying Australia, New Zealand and South America. In Japan, it runs 850 Uniqlo stores and 180 only overseas. It expects that its fast expansion in foreign markets will be the key to its growth because, as many other local retailers, it faces a stagnant economy, a fierce competition, persistent deflation and a declining population at home.

Its main target is to post sales of 1.7 yen trillion (\$ 22 billion) in the fiscal year ending August 2015 and \$ 60 to 65 billion by 2020 in the Asian markets that are less concentrated and have a stronger growth. But, it has still a long way to go to catch up its competitors in terms of store number: Inditex is the world's largest fast-fashion retailer by sales with more than 5,000 units in 78 countries, Gap has more than 3,200 worldwide and H&M 2,300 in 40 markets.

Fast Retailing ceo and founder, Yanai Tadashi, named by Forbes in 2010 as Japan's richest man, declared «I want us to become the brand that represents Japan globally, the brand that represents what clothing is." He recently made English the official language of the company and asks his employees to start working at the head office at 7 a.m.

In Japan, Uniqlo, Fast Retailing flagship brand has attracted customers while offering high-quality basic apparel in its chic stores and by innovations such as thermic underwear made of fabric infused with milk protein. Now, Uniqlo sales in Japan, which account for three quarters of Fast Retailing consolidated sales fell 6% in full exercise closed in August and a new 8.2% drop of its profit is expected in the same period.

## ■ ASIA/PACIFIC

### ASIA-PACIFIC'S 500 LEADING RETAILERS IN 2011

The annual survey "Retail Asia-Pacific Top 500", released for the 8<sup>th</sup> year in a row by Retail Asia, KPMG and Euromonitor International covers the 500 largest retailers of the 14 economies of the Asia-Pacific region. It shows the retail market recovery as sales rose 10% to impressive \$ 834 billion in 2010, compared with 3% one year earlier, as the

last signs of the recession had disappeared. No country registered sales decrease in terms of local currency and in dollar US contrary to the previous years.

**Top Twelve retailers by sales in Asia-Pacific in 2010**

country	format	fascia	retail firm	2010 sales (US\$ m)
1 Japan	convenience store	7-Eleven	Seven & I Holdings	31,064
2 Japan	department store	Jusco, Saty, Posful...	Aeon Group	26,501
3 Australia	Supermarket	Woolworths...	Woolworths	25,857
4 Japan	department store	Ito Yokado, Seibu, Sogo	Seven & I Holdings	24,426
5 Japan	convenience store	Lawson, Lawson Store	Lawson	20,974
6 Australia	supermarket	Bi-Lo, Coles	Wesfarmers	19,116
7 Japan	convenience store	Am/ pm, Family Mart	Family Mart	15,992
8 Japan	hardline	Labi, Tecc Land	Yamada Deni	13,668
9 Japan	convenience store	Circle K, Sunkus	Uny	12,651
10 China	hardline	Gome, Yongle...	Gome Electrical Appliances	11,674
11 Japan	department store	Isetan, Mitsukoshi	Isetan Mitsukoshi Holdings	10,561
12 China	hardline	Suning	Suning Appliance Chain Store	10,467

*Source : Retail Asia/Euromonitor International*

In 2010, China overtook Japan as the world's second largest economy with the largest growth. The 124 surveyed Chinese retailers posted sales up 14.5% in 2009/ 2010 to US\$ 139 billion...

*To read the complete article, please contact :*

[bguillot@chabot-associates.com](mailto:bguillot@chabot-associates.com) or tel/ fax.+331 48 74 64 70/ mobile +336 70 86 64 20

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**bguillot@chabot-associates.com**

**Chabot & Associates/LLDI, 5, rue de Châteaudun, 75009 PARIS- France :**

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