

GLOBAL RETAIL NEWS

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A few lines from our articles in GLOBAL RETAIL NEWS MARCH 2013

■ UNITED KINGDOM

Tesco and Sainsbury to invest in Indian sourcing centers

Both British retailers filed the proper document to launch the official process, said the Minister of Trade Anand Sharma. He didn't give further details about the products to be purchased. This announcement sounds like a possible Indian expansion for Tesco and Sainsbury, into this 1.22-billion inhabitant market. Indeed, the September 14 legislation easing foreign investments included a specific condition: international retailers must supply 30% of their needs from local companies.

In India, Tesco is already active in the wholesale sector, via a franchise agreement with Tata Group Star Bazaar. In its domestic market, it starts to benefit from its 1.17-billion euro recovery plan initiated last Spring. In the 6-week period ending January 5, like-for-like revenue rose 1.8% in the U.K. It was strongly driven by the e-commerce sales rising 18%. In the rest of Europe (Poland, Hungary, Slovakia and the Czech Republic), it fell 3.6%. In November this year, the head of Europe Gordon Fryett is due

to leave his functions. He will be replaced by Ken Towle, the current Internet retailing director. ■

■ CHINA

Kingdom Invest enters 360buy.com capital

The Saudi investment firm Kingdom Holding Company purchased a minority stake in 360buy.com, China's 2nd largest e-tailer, for a 400-million dollars amount. Further transaction details have not been disclosed yet.

The e-commerce website 360buy.com is controlled by the Jingdong company. It sells products directly to the consumers. On the opposite, China's sector leader Alibaba, works as a platform providing a link between customers and brands. Its revenue sources mainly come from advertising, services and promotions. According to Analysys International, in the 3rd quarter 2012, both e-tailers held respectively 6.8% and 75.5% market shares. Last year, 360buy.com posted sales of 9.62 billion dollars (i.e. 60 billion yuan). Its president expects them to grow to 100 billion yuan in 2013. He also thinks that the website should be profitable by next December. So far, the margin was heavily burdened by logistic investments dedicated to optimize delivery process.

As a reminder, Kingdom Holding, controlled at 95% by the Prince Alwaleed, is very active in the web. In 2011, it already invested 300 million dollars on Twitter website. ■

■ INTERVIEW

“Each Costco warehouse club records annual sales of 140 million dollars and covers a catchment area of one million inhabitants”. Gary Swindells, President of Costco France.

Costco, the world's 6th largest retailer and the 3rd in the U.S. behind Wal-Mart and Kroger, posted sales of \$ 97 billion last year, up 11.5%. Its fair growth is driven by a unique business model combined with a step by step foreign expansion. As the Group is about to enter Spain and France, Global Retail News met Gary Swindells, President of the French subsidiary.

Global Retail News: What are the characteristics of your business model?

Gary Swindells: At Costco, stores are called “warehouses” actually. Jim Sinegal founded the first outlet in Seattle, in 1983. Ten years later, Costco merged with Price Club: at that time, our 206 warehouses used to generate revenues of 16 billion dollars yearly. In 1997, PriceCostco became Costco. Today, the Group manages 621 units worldwide, especially in the United States (443) and Canada (85). As a membership warehouse club, Costco dedicates itself to offering its members the best possible prices on famous upscale brands.

GRNews: Costco reached almost the same level of sales as Kroger, even though it runs four times less stores (621 versus 2,435). How did it succeed?

Gary Swindells: On average, each warehouse provides 4,000 SKUs versus 60,000 to

150,000 at a superstore... If you look at sales per SKU, Costco is actually in a pole position towards a number of competitors. Each warehouse generates 140 million dollars in sales, which is twice the sector's average. Therefore, our turnover by item is much higher, which gives us a tremendous buying power towards suppliers. Our operating philosophy is simple - keep costs down and pass the savings on to our members- and our key development criteria are volumes and SKUs turnover.

GRNews: With such small ranges, consumers could be dissatisfied...

Gary Swindells: We strongly believe that, the more options consumers have, the hardest it is for them to make a proper choice. That's the reason why Costco focuses on simplicity. For instance, if you want to purchase a bike, you will have to select one out of 3 or 4 branded items. Regarding microwaves, Costco range amounts to 5 different models. When our buyers decide to list a new SKU, value is their main criterion.

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