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GLOBAL RETAIL News

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From the publisher

INDIA IS FACING A SWEDISH WIND OF CHANGE

On May 2nd, India government said yes. Yes to a 1.5-billion euro foreign direct investment from Ikea, the Swedish home-furnishing giant. Yes, to host 25 big-boxes. The first is expected to open its doors within 4 to 5 years in New Delhi or in Mumbai probably. The Swedish giant has played a key role in the current opening to FDI. This phenomenon demonstrates that India follows a different path than China, where retail is more established, but remains largely government-directed. To boost appliance consumption (televisions, fridges, air conditioners or washing machines), it rolled out subsidies in direction of rural households in 2009, like in the car sector (459,000 were sold in 2010 via this public grant). Will China be able to move from a state-controlled into an entrepreneurial and free-market, where supply simply adjusts to consumer demand?

Patrice de Chabot,
Publisher

Interview

> **Immochan** · Eric Deleplanque, Chief Executive

« EVEN IN REGIONS SUFFERING FROM THE CRISIS, A PROPER RETAIL ANSWER CAN BE FOUND AS SOON AS IT IS TAILORED TO ITS CATCHMENT AREA »

Immochan sits as the 3rd European retail developer behind Unibail-Rodamco and Klépierre/Ségécé in assets value. At the end of 2012, it ran 340 shopping centers in 12 countries, covering 2 million sq.m GLA in malls. Annual sales jumped 18.9% to 598 million euros. Operating as the retail engine of Auchan hypermarkets, it provides its real estate skills to Auchan global network. Global Retail News met its CEO, Eric Deleplanque.

Eric Deleplanque aims 2.8 million sq.m GLA in malls by 2015.

Global Retail News: Immochan manages 4 key sectors of Auchan Group shopping centers - promotion,leasing, operations and asset management. How did it build such an international footprint?

Eric Deleplanque: In 1996, our mother company Auchan Group bought out our competitor Docks de France (Mammouth banner). At that time, Spain was the 2nd international market and Italy the 3rd. In 1996, the real estate division became the fully-fledged company Immochan. The international footprint widened then, with Poland (1996), Hungary (1998), China (1999) and Russia (2002)... Globalization is also reflecting in our teams : between 2001 and 2012, we grew from 100 to 630 employees!

Benchmarks

340 shopping centers

598 million euros in revenues in 2012 (+18.9%)

2.015 million sq.m GLA in malls and 1.3 in retail parks

GRNews: Currently, what are your expansion plans?

Eric Deleplanque: We focus on three geographic regions: Western, Central and Eastern Europe and also Asia. Every time Auchan enters a new country, the decision directly comes from the hypermarket management. Then, we work altogether in a joint collaboration: we study the best cities, target sectors and define the most adequate formula. Finally, Immochan takes the leadership, rolling out its real estate competencies: the full site concept, the retail offer and the financial arrangement of the operation.

GRNews: In 2012, your vacancy rate climbed to 3.9% versus 2.5% one year ago. Why?

Eric Deleplanque: In 2011, it used to be historically low. Last year, it remained contained, but rebounded however due to structural reasons (restructuring, renovations and extensions programs). In Southern Europe, this vacancy uplift was linked to the cyclical impact of both Spanish and Italian crisis. However, it doesn't mean that we aim to give our projects up over there.

GRNews: What do you mean?

Eric Deleplanque: In the North suburbs of Alicante, the Spanish mall «Zenia Boulevard» opened its doors in September 2012 (80,000 sq.m GLA / 150 shops). It is located in a catchment area of 303,100 people. This new mall attracts 25,000 visitors a day during the week, and almost 50,000 the weekend. In a four-month period, it registered 3 million visitors! In order to provide consumers with additional purchasing power during this economic turmoil, it unveils an aggressive price and Please turn to page 2 ☞

ELECTRONIC RETAILERS REDUCE FOOTPRINTS.

5 years after its European entrance, the U.S. chain Best Buy has decided to sell its 50%-stake back to its partner Carphone Warehouse Group for 775 millions dollars. It is three times lower than the investment done in 2008. After Britain and Italy, **Darty**, Europe's 3rd largest electrical goods retailer behind Media Saturn and Dixons Retail with 450 stores in Europe, closed its 43 Spanish outlets. The group aims to focus on its profitable activities (France, Belgium and the Netherlands). Knight Vinke, Darty majority shareholder with a 25%-stake, categorically denied the sale rumors and Goldman Sachs mandate.

CONSUMER CREDIT SURGED IN ASIA.

Between 2007 and 2012, nonmortgage consumer credit surged 67% in Asia (excluding Japan), to reach 1,660 billion dollars at the end of 2012, according to Euromonitor International. During the same period, it rose only 10% in the United States. Lenders are targeting the middle class, which grows by more than 100 million people each year. Interest rates range between 15% and 40%. In 2020, 50% of the world's middle class lived in Asia versus 25% in 2009.

MCDONALD'S SALES GREW BY 1% TO 6.6 BILLION DOLLARS…

…in the first quarter 2013. Revenue fell 1% like-for-like, impacted by a 3.3%-drop in the international division. Activity in the Asia/Pacific/Africa region was hit by Japan and China, where the chain seeks to launch a wider breakfast offering. Its rival **Burger King** posted sales down 1.5% in the same period LFL.

OXYLANE FOCUSES ON THE BRICS

In China, its Decathlon banner will maintain its expansion pace via 15 additional units this year. With 54 stores to date, China sits as the 4th market. Brazil will host 3 new outlets, **India** and **Russia** respectively 2. In 2012, sales excluding VAT rose 7.2% in all (to 7 billion euros) and 1.3% LFL. In Sofia (**Bulgaria**), a new unit is due to open its doors during summer 2013. Despite profit drops in **Italy** and **Spain** -2nd market with more than 100 stores-, the giant doesn't consider reducing its footprint. The group is active in 19 countries. In 2012, it added 58 units.

CHAROEN SIRIVADHANABHAKDI,

the Thai billionaire and food industry magnate, seeks to raise funds to take over **Siam Makro**. He already launched a 6.6 billion-dollar offer on the discount retailer. This way, he faces Dhanin Chearavanont, former Siam Makro owner in the late 90s and manager of **CP ALL** convenience stores, who made his fortune by selling frozen chickens.

Europe

Bricostore ☞ In the domestic Do-It-Yourself market, Bricostore ranks 3rd in sales behind **Dedeman** and **Praktiker**, which both operate 25 outlets. In November 2012, the chain decided to withdraw from **Hungary** and closed its 9 stores, due to the President Viktor Orban's nationalist measures, which deteriorated the business climate. For instance, retailers have to pay a 2.5%-tax on their turnover to the State.

Via this external growth operation, **Kingfisher** aims to capitalize on the Romanian market, in fair growth. Between 2005 and 2011, DIY sales tripled to 1 billion euros, driven by a "strong culture among property owners", said Kingfisher CEO Ian Cheshire, who manages **B&Q, Castorama** and **Brico Depot** chains in Europe and Asia. The 15 purchased stores will be refurbished and converted to the discount banner Brico Depot, which «meets a great success in France and in Spain. Brico Depot's potential for foreign expansion is clearly strong,» commented the Group. Kingfisher store number will grow to 1,050 units in 9 countries and retail space 2%.

In the last exercise ending 2 February 2013, Kingfisher posted a 2.4%-revenue drop to 12.5 billion euros (10.57 billion pounds). For the first time in four years, pretax profit declined by 11.4% to 715 million euros. Let's recall that Kingfisher used to be classified as the 3rd home improvement retailer behind the U.S. groups **Home Depot** and **Lowe's**. Since the end of 2012, it was outpaced by the French **Adeo** (Leroy Merlin) and now ranks 4th worldwide.

> SWEDEN

IKEA COMBINES COMMERCE AND HOUSING

Ikea France announced a 100-million euro investment in a mixed-use complex in Nice covering 60,000 sq.m in all. This program is subject to the local authorities agreement (CDAC). It is expected to open its doors late 2016. It will include an Ikea store (40,000 sq.m GLA), housing (10,000 sq.m) and shops. Located in an ecologic and sustainable neighborhood, the Swedish furniture outlet will display wood and glass fronts. Usually, Ikea stores are settled in suburbs instead of urban centers and represent an investment of 40 million euros on average per unit. In March, **Inter-Ikea** established a joint venture with **Marriott** to launch a low-cost chain of 3-star hotels called "**Moxy**". It will invest 500 million dollars in the opening of 50 units, with 150 to 300 rooms each. The first one is announced in Milan in March 2014, and more will follow in the UK, Germany, Austria and the Netherlands, etc.

In order to lower production costs, the Swedish giant has designed a modular building process. Rooms will not include Ikea furniture, but they will be prefabricated off-site and then assembled just like Ikea items.

"The hotel industry is relatively stable in Europe, particularly in the low-end sectors", said the management. Between 2011 and 2012, in Western Europe, low-end hotels saw their occupancy rates increasing from 67.1% to 70%, according to Smith Travel Research. Inter Ikea (5.8 billion euros in assets) is in charge of the development and management of the Ikea galleries. It is controlled by **Ingvar Kamprad**, the chain founder, and his family via the Liechtenstein-based **Interogo Foundation**.

> TURKEY

SABANCI BECOMES MAJORITY SHAREHOLDER IN CARREFOUR VENTURE

After several months of rumors, **Carrefour** and **Sabanci Holding** finally made a decision about their joint venture **Carrefour-SA** (215 supermarkets, 28 hypermarkets, 1.1 billion euros in 2012 tax excluded). Sabanci has become majority shareholder in the company, while buying an additional 12%-stake for 141 million of Turkish liras (60 million euros). It grew from 38.8% to 50.8%, while Carrefour decreased from 58.8% to 46.2%. Minority shareholders own the rest of the capital. Carrefour has been active in Turkey since 1993 and partnered with Sabanci Holding in 1996. As of 2011, Sabanci said it wanted to become a majority shareholder. In July 2012, when **Haluk Dincer**, former Chairman of the joint venture Board, resigned with three other members, Sabanci reiterated its proposal, and again in February 2013. For several years, the Turkish operator accused Carrefour of not maximizing profits, misunderstanding the domestic market and overall, providing not enough support. In April, **Sabanci** and **Dia** discount stores, associated in the joint venture **Dia-SA** (1,200 stores), also ceased operations in Turkey. They held 40% and 60% respectively. The food group **Yildiz Holding** and its subsidiary **SOK Marketler** purchased the activity for 136.5 million euros. With only 4% of the 11.6 billion euros sales in 2012 coming from Turkey, Dia aims to primarily focus on its growth markets such as Spain and Brazil. In 2012, Turkish GDP growth slowed sharply to 2.2%. In the 4th quarter, it Please turn to page 7 ☞

