GLOBAL RETAIL NEWSLETTER

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

NOVEMBER 2011 - Volume XII - N°124

SUMMARY

GLOBAL RETAIL NEWSLETTER

a monthly publication (11 issues per year)

Publisher : Patrice de Chabot

e-mail : pdechabot@chabot-associates.com

Deputy editor : Brigitte Guillot

e-mail : bguillot@chabot-associates.com

7, rue Fould, 78600 Le Mesnil-le-Roi - France

Tel/Fax : 33 1 39 12 17 93

Web sites : www.chabot-associates.com

www.globalretailnews.com

Subscription:

France	530.00 € (VAT incl. 5.5%)	
Foreign	540.00 €	
Licence	1,200.00 €	French or English
Licence	1,500.00 €	Both languages

ISSN 2104-7960

Siret : B418 771 481 000 11

INTERNATIONAL

Shrinkage increase.

The new Global Retail Theft Barometer by Checkpoint Systems, covering the period from July 2010 to June 2011, is based on information supplied by a combined total of 1,187 retail groups operating 251,895 stores with sales of $ 986.5 billion in 43 countries.

Worldwide, total markdown amounted to $ 119.092 billion and the average rate rose 6.6% from 1.36% to 1.46% as follows:

- in North America, it cost 1.58% of sales or $ 45.321 billion,
- Latin America: 1.67% or 6.053 billion,
- Middle East/Africa: 1.71% or $ 815 million,
- Europe, Russia included: 1.3 9% or 48.615 billion,
- Asia/Pacific: 1.22% or 18.288 billion.

India apart, whose shrinkage rate decreased to 12.5%, it rose everywhere across the world: most impacted countries are India (2.38% of retail sales), Russia (1.74%), Morocco (1.72%) and South Africa (1.71%). Lowest rates are to be found in Taiwan (0.91%), Hong Kong (0.95%), Austria and Switzerland (1.04%). Europe suffered from the highest evolution in one year climbing 7.38%, from 1.29% to 1.39%.

In Europe, shoplifting grew highly from 2010 for 35.1% of retailers (compared with 17.7% in 2010) and 21.6% announced a rise of employee theft (compared with 30.2% in 2010). The average amount stolen or admitted by shoplifters in Europe was € 93.85 (down 17.5%) and the average amount stolen by employee was € 1,381.4 or a 27% drop.

Products mainly stolen were textile (fashion accessories, children's wear and outdoor wear), high-end grocery (cheese, cooked meals and spirits) and health/beauty products (shaving products, perfume, fragrances…).

In France, shrinkage grew again coming back to the 2009 level: average rate rose 2.9% from 1.36% to 1.40% of retail sales: in-store theft cost almost € 4.9 billion to the French retailers. France is now ranked 3rd in Europe behind U.K and Germany.

Theft by customers accounted 44% of the shrinkage, however, theft by employees continued falling (30.1% down from 30.6% in 2010) and theft by suppliers rose lightly (7.2% from 7% in 2010).

European retailers continue investing in their store protection. In France, loss prevention and security costs amounted to € 1,369 billion or 0.32% of the retail sales.

EUROPE

Moscow remains the most attractive destination for firms looking to expand in Europe over the next 5 years.

London, Paris and Frankfurt are still sitting in the top 3 ranks according to the annual survey by Cushman & Wakefield of the Top 500 European firms and the choice of their future locations in 2011. It has analyzed 12 main factors considered as essential and compared the performance of the 36 European large cities chosen for various factors such as quality of live, easy access to markets, cost of qualified staff…

Top Ten most attractive cities to locate a business in 2011

city	2011 rank	2010 rank
London	1	1
Paris	2	2
Frankfurt	3	3
Amsterdam	4	6
Berlin	5	7
Barcelona	6	5
Madrid	7	8
Brussels	8	4
Munich	9	9
Zurich	10	13

Source : Cushman & Wakefield

Two new cities are sitting among the Top Five, Amsterdam and Berlin, and replace Barcelona and Brussels. →

Zurich moved back in the Top Ten since 2008 while Dusseldorf, present for the first time in 2010, fell back from 10th to 14th position. However, German cities remain very attractive for investors: Frankfurt, Berlin and Munich sit among the Top Ten.

In 2011, Bucharest is the biggest riser moving up 8 places from 35th to 27th position for reduced costs of staff while Rome fell from 28th to 35th.

Worldwide, European firms rank the BRIC economies as strategic destinations overt the next 5 years: Shanghai, Rio, Sao Paulo, New Delhi, Bombay and Beijing. Shanghai is the most popular, New Delhi moved back to 4th position and Rio de Janeiro moved up. Buenos Aires also registered a higher number of firms interested for their expansion projects replacing Cairo in the Top Ten.

Best European cities ranked by various factors

factor	N°1	Paris 2011	Paris 2010
Easy access to markets	London	2	2
Availability of qualified staff	London	2	2
Quality of telecommunications	London	2	2
Transport links with other cities and internationally	London	2	2
Value for money of office space	Warsaw	28	25
Cost of staff	Bucharest	30	31
Availability of office space	Berlin	13	8
Language spoken	London	6	6
Ease of travelling around within the city	London	2	2
The climate governments create for business	Dublin	17	14
The quality of life for employees	Barcelona	8	4
Freedom from pollution	Stockholm	28	25

Source : Cushman & Wakefield

Paris consolidates its position as the second most attractive city behind London and as Europe's 3rd city making the largest efforts to grow its visibility and improve its image. But it may be downgraded for the increasing reduction of office space availability in Paris area, quality of life for employees…

As concern future locations of firms over the next 5 years, Moscow remains the most attractive with 57 firms compared with 47 in 2010. This year, it moved up from 19th to 11th position thanks to the very strong growth of consumer spending and the important potential of regional cities beyond Moscow and St-Petersburg.

e-commerce: security may put a brake on its development.

Development of e-commerce in Europe is slowed down by security concerns according to the survey by CB Richard Ellis, Europe's Online Consumer, based on 10,000 polled persons in 10 European countries. Surveyed online purchases concern various sectors, from apparel and shoes to electricals through books, beauty care and pharmaceutical products…

It shows consumers' concern in the field of transaction security. It is one of the top 3 concerns for 48% of the polled persons in Spain 3% in Italy, 35% in Germany, 32% in Great-Britain, 30% in France and 29% in Sweden. Other concerns include the deliv-

Internet purchases and online bank: comparison per country in %

country	% of e-commerce purchasers	level of penetration of online bank
Sweden	69	level 1 : 62-77%
Germany	66	level 2 : 35-54%
Great Britain	58	level 2 : 35-54%
France	56	level 2 : 35-54%
Belgium	41	level 2 : 35-54%
Italy	38	less : 32%
Spain	37	less : 32%
Hungary	17	level 4 : weak
Poland	15	level 4 : weak
Russia	5	level 4 : weak

Sources : CBRE/Deutsche Bank

In short...

Rallye is reinforcing its presence in GPA.

The holding firm of French Casino raised its stake to 5% in Brazilian GPA. Considering last operations, Rallye and Casino, GPA's largest shareholder, own 48.1% of its capital…

Metro unveils its projects in India.

When the German retailer entered India in 2003, it was among the first foreign retailers to benefit from the local retail market dynamism. But, eight years later, it has to secure its position in face of the international competition.

Today, Metro operates 7 cash & carry, which sell 95% of local products. It expects to generate 5% of its total sales in India by 2015 and plans to add 50 new units over the next 4 to 5 years…

EBay launches Fashion Outlet, a virtual outlet mall.

The site shows more than 200 available brands including Brooks Brothers, Calvin Klein, Last Call by Neiman Marcus, Reed's Jewelers and Tommy Hilfiger... Rebates range from 20 to 65%. Some items are exclusively made for Fashion Outlet.

Currently, this American site delivers merchandise in the U.S. exclusively. It can be seen via the ebay store or by brand. EBay, which has outlet sites in U.K and Germany, expects to add similar in other countries…

X5 Retail Group: a week after lower sales growth forecast, sales fell.

Russia's largest retailer by sales lowered its forecast "due to the rapidly weakening macroeconomic environment" and the rebranding of its Kopeyka stores. Consequently, it expects its full-year retail sales to grow by 35% against 40% previously announced. In Q3, sales rose 32% to $3.3 billion. In the first 9 months, it added 87,000 new sq.m of GLA space…

French Damart brand is expanding around 3 concepts: the flagship Damart, Happy D and Damart Sport.

Happy D is catering to the young and demanding 50 to 65-year old seniors by a "smart casual" ready-to-wear, who appreciate especially new materials. Launched in 2011, the brand operates 5 shops in France and 1 in Belgium.

Damart Sport is the first sports brand to aim seniors. Launched on Internet in 2008, it now opens shops (2 are in operation). It develops more than 150 products per season and answers to the equipment needs of 8 sports activities including swimming, aquagym, fitness, stretching, running…

Casino has opened a first Cdiscount store in Paris downtown mid October.

Cdiscount online site, a subsidiary of the French Casino Group, has opened a small 500-sq.m space shop that offers 2,000 SKUs of which high tech, computers, household appliances, DVDs, video games and also toys, wines and spirits.

Cdiscount online site generates the highest sales in France with 1.2 billion in 2010…

Casino is launching a debit bankcard for every customer.

Banque Casino, a subsidiary of Casino Group, and Crédit Mutuel, are launching this card in partnership with MasterCard. It is not a credit card but it includes a loyalty program, accepted in France and worldwide by more than 32.7 million retailers. It allows cumulating "S'Miles", which are common awards to several brands, not only at Casino stores but also at any store, whatever the location…

Buld'Air shopping center opens October 26 near Avignon and is anchored by Ikea.

This complex of 44,000 sq.m is the 3rd developed and managed center by Ikea Centre Group (IICG) in France. It is focusing on family services. 770 sq.m are devoted to the local arts and crafts of Provence, to tourism even to gastronomy…

Morocco Mall to open in December.

Casablanca shopping center will be one of the largest shopping centers in the world, covering 250,000 sq.m, and will house 350 shops, Galeries Lafayette department store and Marjane's 1st hypermarket in Morocco…

ery method and the credit card lack.

This survey shows also the relation between propensity to shop on Internet and the use of online bank services in Europe. Leading countries for online shopping practices are the following: Sweden (69%), Germany (66%), Great Britain (58%) and France (56%). They also are countries, where online bank services are the most developed compared with less using South European countries and some Eastern Europe countries from where these services are almost absent.

Franchise weight in EU-17 Member States.

Average annual growth rate of brand number: +8.1%

country	brands in 2009	2007/2009 growth rate	% domestic brands in 2009
Austria	435	11.5%	55
Belgium	320	60.0	60
Czech Republic	150	14.5	50
Denmark	188	4.4	82
Finland	265	20.4	75
France	1,369	20.4	89
Germany	960	5.5	80
Greece	563	3.5	70
Hungary	341	6.6	70
Italy	869	2.6	96
Netherlands	679	0.4	85
Poland	565	47.5	73
Portugal	524	4.6	55
Slovenia	107	3.9	48
Spain	919	8.1	81
Sweden	550	57.1	67
United Kingdom	842	4.1	89
Total	**10,176**	**16.2**	-

Sources : EFF/Eurostat

From 2007 to 2009, the average growth rate of the brand number in the Europe-17 was 8.1%. The rate rose 0.5% in 5 major markets: Germany, U.K, France, Netherlands and Italy.

The number of franchise brands in other major world markets in 2009 was the following according to estimates:

- China 2,800
- India 1,800
- South Korea 2,500
- Brazil 1,643
- USA 2,200
- Canada 1,200
- Turkey 1,876
- Australia 1,000

Neinver : sales of its outlet centers rose 15% in the first six months 2011.

Neinver, Europe's second largest outlet centre operator, saw sales of its outlet centers growing by 15% to € 300 million in the first six months this year. It manages 260,000 sq.m GLA in 6 European countries and seeks to expand to 500,000 sq.m with a 17%-market share over end of 2012.

In Germany, The Style Outlets in Zweibrücken, the country's largest outlet village with 30,000 sq.m of retail space, posted sales up 28% to € 60 million. In Spain, its 3 centers were visited by 5 million of persons and had sales up 10% to 80 million. In Italy, 2 centers posted 93.5 million, up 18%. In Poland, where Neinver is leading the sector with 4 centers, sales amounted to € 49 million and in Portugal (1 centre) 30 million, up 10%.

FRANCE

Casino : ongoing organic growth in Q3 in a still lagging environment in France.

Total continuing operations rose 21.2% to € 8.7 billion in the 3-month period to end of September, boosted by a strong activity in emerging markets mainly via acquisitions. Organic growth was sustained: up 5.7% in line with 1st half (+6.3%).

In France, sales rose 4.3% in Q3 to € 4.7 billion. Organic growth slowed down (+1.2%) compared with +2.2% in the 1st half. LFL sales and excluding petrol were down at Franprix (-3.0%) due to Sunday afternoon closures, at Géant Casino (-1.5%) under the drop of non-food sales and at Supermarchés Casino (-1.5%).

International sales were up 13.0% →

and now account for 46% of the total Group sales, up from 37% one year earlier in the same period and 38% in the whole year 2010. LFL sales rose 10.8% in South America and 5.8% in Asia.

Consolidated sales grew by 50.1% to € 3.97 billion. The Group reaffirmed its target of annual sales growth above 10% over the next 3 years and its objectives for 2011: strengthen market share in France, in particular by continuing to expand in the convenience and discount formats, drive-up margin at Franprix-Leader Price, maintain strong and profitable organic growth in international markets, conduct disposals and capital increase program of more than €1 billion and maintain a net debt-to-EBITDA ratio of less than 2.2x at year-end.

Carrefour: second warning in 3 months, the 5th warning in one year.

World's second largest retailer by sales suffering from strategic mistakes and worsening economic environment cut its full-year operating income target and plans a decline between 15% and 20%, having forecast a 15% decline in August and previously expected an increase. Sales were soft in French hypermarkets, which make up for 40% of the Group's revenues,

In Q3 to September 30 sales rose 1.6% at constant rates to € 22.79 billion but were down 0.6% on a LFL basis. In France, they fell 2.3% LFL, compared with -1.1% in the 2nd quarter. Excluding petrol, they dropped 1.9%. Sales at hypermarkets decreased by 4.4% and traffic by 5.6%.

During summer, Carrefour has implemented in France a program with fewer promotions to the profit of every day low prices on many key items. The promotion share thus fell from 24 to 20% in 3 months. The retailer is now placing its growth hopes in the emerging markets, which saw a 5.5 percent increase in sales: in Latin America where they rose 10.3%, Brazil recorded sales growth of +7.5% .

In Asia, total sales rose 4.3% in the 3rd quarter. In China, Carrefour was impacted by the rocketing inflation above 6% that slowed down growth. While sales climbed 3.1% they fell at constant rates and non-food dropped 11%.

HUNGARY

Hungary adopts REITs expecting to boost investments in the market.

According to the Budapest Business Journal, parliament adopted a legislation to allow their creation. They will be free from corporate and local taxes but will have to pay 100% of profits made from the development and management of their activities under the form of dividends to shareholders, taxed at normal rates. Firms that will be able to adopt this formula, must be listed, public companies limited by shares and rent or manage their own assets in Hungary.

According to DTZ, their existence will contribute widely to create a regulated and transparent real estate market in Hungary, will reinforce credibility and also foreign investors' trust.

FEDERATION OF RUSSIA

Wal-Mart or a probable come back to Russia?

The giant had decided to retire last December eight years after it started exploring this emerging market and three years after the opening of an office in Moscow giving the impression it could not enter it.

Ten months later, Wal-Mart has hired Lev Khasis, former ceo of X5, Russia's largest retailer by sales, who will be responsible for emerging markets especially Brazil, India and China. It is not the sign that the giant will rush immediately into Russia but would rather continue to study it waiting for the right moment and the right acquisition.

Other foreign retailers faced difficulties in Russia: at the end of 2009, Carrefour retired just four months after opening its first two stores there and Ikea met corruption problems during many years. The Saint-Petersburg-based grocery retailer Lenta, owned by TPG Capital, met a problem last summer, which ended when TPG and its partners bought the 40%-stake of the competitor shareholder. Lenta was one of the two targets aimed by Wal-Mart in this country.

Another target was the discounter Kopeika, which was finally bought by X5 last December while the firm was still managed by Lev Khasis. It is at that moment that Wal-Mart decided to close its local office. Lev Khasis appointment fed speculation over its return and its interest for X5. But, Wal-Mart could be interested by other acquisitions in Russia when time has come. If it waits too long, it could find a market in fast consolidation whose 6 main players invest highly in expansion programs to grow their market shares: two largest players, X5 and Magnit own 8% each. Auchan and Metro Cash & Carry are ranked respectively third and fourth players, showing this way that some foreign retailers can expand in this market but expect a tougher competition from local retailers such as O'Key and Dixy.

UNITED KINGDOM

Tesco: UK activity is lagging in Q2.

In the three-month period, LFL sales of the British retailer fell 0.7% in United Kingdom. But growth in international markets contributed to raise net profit by 16% to £ 1.38 billion ($ 2.14 billion) and total sales including VAT by 7.8% to £ 31.81 billion.

Sales are broken as follows: United Kingdom: £ 20.88 billion, Asia: £ 5.22 billion, Europe: 4.71 billion, USA: 0.32 billion and Tesco Bank: 0.52 billion. Growth was positive in Europe and in Asia and encouraging in the U.S. However, demand remained under control in U.K especially in non-food as consumers were under the pressure of the government austerity measures, rising inflation and wage stagnation.

U.K market, which accounts for two-thirds of its sales and profits, has been lagging for several months. Sales rose 7.1% in Q2 to £ 23.43 billion but this growth came mainly from rising food and petrol costs and from VAT growth in January. Excluding VAT and petrol, LFL sales decreased by 0.7% making 2 quarters of declines.

Tesco has been lagging behind its local competitors for the quarter as its wide non-food assortment was highly impacted by the decline of the consumer spending and the lack of its offering renewal. Early October, it →

STUDIES

ARE CIVETS THE NEW COUNTRIES IN WHICH TO INVEST?

Ten years after the BRICs, CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) emerge as the new generation of giant economies thanks to a notable and young population with an average age of 27. Hence, the possibility for these countries to enjoy from a fast-growing domestic consumption. They are also relatively diverse economies, which means that unlike the BRICs, they could less depend on external demand. Investors could prosper there.

Colombia is an attractive destination for investors as it strives to distance itself from its troubled past. GDP has doubled since 2002. In addition to a population of 46 million inhabitants and its important resources in oil, coal and natural gas, it has also textile, coffee, nickel and emeralds. Foreign Direct Investments rose to $ 6.8 billion in 2010.

Indonesia has the world's 4th largest population of 240 million inhabitants and its high local consumption helped it to protect somewhat from the global financial crisis. GDP grew by 4.5% in 2009 and 6% in 2010 and is expected to remain at this level over the next years. Labor costs are the lowest of the Asia-Pacific region and the ambition of the government to be the next credible manufacturing hub could rank it as the next BRIC.

Vietnam is a country in which foreign retailers and investors are eager to enter. Even if A.T.Kearney has downgraded this country from 14th to 23rd position, foreign investors are still very interested in this country, which was at the head of the ranking in 2008, despite macro economic uncertainties including a high inflation rate and the consumer spending decline.

Korea's largest discount chain E-Mart entered Vietnam through a joint venture with U&I Group to launch a supermarket chain investing US$ 1 billion. First unit will be opened in 2012 and a park of 52 units is expected to be completed in the country's major urban areas before 2020.

E-Mart, owner of 136 shops in South Korea and 27 in China, expects that Vietnam will become its largest foreign market after continental China. Both partners are looking for sites in major cities. It is Korea's second largest retailer to enter Vietnam after Lotte Mart that runs 2 stores in Ho Chi Minh City and expects to invest $ 5 billion in 30 supermarkets in Ho Chi Minh City, Hanoi, Danang, Can Tho and Haiphong and is also looking for sites.

Meanwhile, Aeon from Japan is ready to enter Vietnam with its Jusco supermarkets by 2013. With sales of approximately $ 15 billion, it expects to become one of Asia's 3 largest retailers over the next 10 years and wants to make Vietnam its 4th largest market after China, Thailand and Malaysia.

By end of 2010, Japan convenience store chain Ministop, owned by Aeon Group, also signed a strategic agreement with G7 Service and Trading Joint Stock Company (G7Mart) to open hundreds of stores in Vietnam. G7Mart seeks to sign a 75-25 joint venture agreement with Ministop. First unit is expected for this year's end and 100 units over the next 5 years.

French Casino and its Vietnamese partner Big C continue building BIG C hypermarkets: 14 are already in operation and further 15 units are expected to be added by 2013.

Malaysia's largest retailer, Parkson, considers Vietnam as its largest market as it registers there its highest growth hitting 30% in 2010 compared with 10% in China and 10 to 15% in Malaysia and seeks to reinforce its expansion. It invested $ 80 million there and posted sales of $ 200 million in 2010.

Retail sales and services are expected to exceed $ 85 billion in 2012 in Vietnam. They rose 22.6% in this first half. However, excluding inflation, they gained 5.7% only in the first six months from +16.4% last year in the same period.

In **Egypt,** revolution may slowdown economy momentarily. But, analysts expect it will regain the growth way once it comes back to the financial stability. The World Bank predicts just 1%-growth this year due to events of the Arab Spring. This is to compare with 5.2% in 2010 and 7% and more before the recession. However, this country will be able to capitalize on its many advantages including its fast-developing ports on the Mediterranean and the Red Sea and its non-operated resources in natural gas. Some people call it "The New Turkey".

It has an important and young population of 82 million inhabitants who are 25-year old on average. Aberdeen Asset Management considers the NSGB, a subsidiary of Société Générale, as being well positioned to benefit from the under-developed domestic consumption.

Turkey's prospects are strong. The World Bank expects GDP to grow by 6.1% this year but may decline to 5.3% in 2013. The rate contracted in 2009 to 4.7%, showing this way its vulnerability to external shakes. It has few natural resources but its economy is diversified and its has large projects in the sector of natural gas making it a notable energetic corridor between Europe and Central Asia. It must be noted that the fast-growing retailer BIM grew from 21 to more than 2,600 stores in 15 years.

South Africa is by far the most developed country of the African continent. Its economy is diversified, it is rich in resources including gold, platinum and attracts manufacturing investments.

The price increase of commodity goods, the renewed demand of cars and chemical products and the spending during the World Cup have contributed to put this country on the growth again after sliding into recession during the global crisis.

It is a gateway to investments in the other countries of Africa. Its fast-growing middle-class makes the local consumption a magnet. 51% of the capital of the local retailer Massmart was bought by Wal-Mart this year.

Sources : The Wall Street Journal/Vietnam.net

STUDIES

CENTRAL EUROPE :
the shopping center market will grow by 50% over 2013

Construction of 6 new million sq.m will be closed by 2012 but most of it will be completed in 2012 and, according to the new PMR report, "Shopping centers in Central Europe 2011", would account for more than € 11 million of investments.

In Bulgaria and Romania, GLA space climbed substantially in the past three years and the development is expected to continue growing at a high pace. Poland remains an attractive destination for investors and will register the largest number of new sq.m of all Central Europe's countries in 2013

Bulgaria and Romania are two countries whose growth was the highest.

Shopping center GLA space in Central Europe rose 50% since 2008 and totaled almost 12 million sq.m at the end of 2010. This figure would have been higher if the financial crisis had not limited the ambitious projects of developers and retailers as well as customers' expectations and their purchasing power. The market size grew by more than 20% in 2007 and 2008 and by 11% only in 2010. In this context, Bulgaria and Romania have developed quicker than other Central Europe's markets. However, Hungary growth was the slowest while Poland was the only country of this region to register no decrease of GDP and retail sales. translated by 400,000 new sq.m GLA delivered within three years in each of these countries.

6 new sq.m GLA to be leased in 2013.

Following the 2010 slowdown, the market is progressively reviving. It reflects older projects that were frozen during the crisis and many new projects that were announced and are due to be completed over the 2012/13 period. Surveyed countries of Central Europe are not saturated considering their current equipment and comparing it with Western Europe. We can see that there is still room for new investments and an excess of 6 million new sq.m will be delivered on the 6 Central European countries over the next three years. "However, they ought to be located more cautiously and better tailored to market needs than before the economic turbulence".

The share of recent shopping centers is expanding to the expense of the mature centers especially in the Czech republic and in Hungary. Investors in Romania expect to add 1.3 million of new sq.m space in 2013 as the country is expected to overtake the Czech republic considering the total shopping centre GLA. Developers in Bulgaria, which suffered from the global crisis until 2011, have more than 500,000 sq.m in the pipeline to be delivered in 2012 and 2013. Poland is also active and seeks mainly to explore the potential of second-tier cities. In Bulgaria and Romania, planned shopping centers are generally larger contrary to the Czech republic, Slovakia and Poland where the growing saturation of the main cities, push investments towards second-tier cities and will concern smaller and modest-size projects: Pallady in Bucharest, Inter Ikea Centre Group in Lublin and Topark in Budapest sit among the largest projects scheduled in 2013 in Central Europe.■

Investment breakdown in Central Europe shopping centers : 2008-2010 and 2011-2013 periods

	2008-2010 period	2011-2013* period
Slovakia	9%	8%
Romania	25%	22%
Poland	34%	46%
Hungary	7%	6%
Czech Republic	10%	8%
Bulgaria	15%	10%

*Source PMR Publication 2011 * forecast*

Surveyed shopping centers have at least 10,000 sq.m excluding hypermarkets with a shopping gallery

Since 2007, Poland has registered the highest amount of new shopping centers (1.4 million sq.m) and Romania (1.2 million) but production in Bulgaria accelerated relatively: the GLA space rose by more than four times in the past three years thanks to exceptional investment plans including more than 600,000 sq.m GLA delivered in 2010 alone.

In the same period, the Romanian market almost doubled due to an exceptional year 2008 while 2009 and 2010 saw a decline of the number and space of new shopping centers completed.

In Slovakia, the market grew by three-quarters thanks to new projects of small and medium size in second-tier cities. However, in Hungary and the Czech Republic, it remained stable in 2010. In addition, both countries are expected to grow at the slowest pace through 2013. However, their growth will be

STUDIES

ABOUT TECHNOLOGY USE IN MALLS AND SUPERMARKETS
Mall owners are venturing into technology as virtual stores change consumers' habits.

World's largest mall owners are embracing digital technology to stop the decline of their tenants and continue attracting shoppers. In London, Hammerson Plc plans to use software to follow visitors in its malls. Australia-based Westfield Group has set up a mall with virtual retailers, U.S. Simon Property Group and the French Unibail-Rodamco encourage consumers to add new and more sophisticated applications on their smartphones.

Online retailing helps retailers to reach customers with fewer stores. Owners, who seek to increase their rental revenues and real estate value, use technology to attract more visitors and follow habits of shoppers to better answer to the needs of their increasingly selective tenants.

Global spending online rose by more than 4 times to € 591 billion ($ 855 billion) in the past decade through 2010 according to Interactive Media in Retail Group. Forrester Research estimates that Internet sales will grow by at least 10% annually through 2015 in Western Europe and the U.S. and that growth will be even faster in the Asia/Pacific zone.

Fewer stores.

British retailers need approximately 90 stores to sell products to half of the British population today compared with 200 in 1971 according to CB Richard Ellis Group. They focus on the most active and the nearest sites as they rely more on Internet. Thus, Hollister, one of Abercrombie & Fitch' brands, started to expand overseas in U.K in 2008 and has opened 19 stores only in the largest regional malls of the country backed by an online site.

Mall owners use technology to reinforce their advantage over urban centers and smaller centers whose vacancy rate is pushing downwards rents and real estate value down.

Technology.

Smartphone applications help to guide a visitor in a mall, to find a vacant parking space and locate one's car on a center plan. They guide shoppers to their favorite stores, indicate special promotions and give them movie lists and other leisure activities.

The speed of adaptation to new technologies by landlords, retailers and shoppers depends on the importance of the online retail market and the sophistication of the smartphone use in the country. In Asia, and especially in Japan and South Korea, payments through mobiles and their applications that help to scan bar codes are very advanced according to Jones Lang LaSalle.

Virtual malls.

Westfield, the world's second largest mall owner by market value, has opened in November an online virtual shopping center for Australia and New Zealand, offering shoppers a price comparison tool and helps to find merchandise and services offered by 130 retailers. This service is connected to sites of social networks and supplies customers with information on merchandise and service quality. Westfield signed an agreement with online retailers who are not present in its centers and offered some international retailers a first commercial presence in the Australia/Asia region. Westfield just signed an agreement with the New York and New Jersey port authorities to build the shopping center of the future World Trade Center.

Customers to use their smartphones in American grocery stores.

Supermarkets recognize that many customers use their mobile phones to compare prices and consequently have started experimenting the technology. This way, they expect to incorporate the applications, the Quick Response bar codes and so on to grow their sales and lower their costs as customers, familiar with electronics, account for a larger part of their shopping base. These initiatives could help also to cut the labor costs that run between 12 and 15% of the total of grocery retailers according to the retail research bureau McMillanDoolittle LLP in Chicago.

For some time, retailers have been studying the new technology integration but as their margins are low many stores cannot afford it. However, these programs will help them especially to reinforce their customer's loyalty without having to invest too much.

Ahold is testing a program with an iPhone application in 3 Stop & Shop supermarkets in the U.S. Customers can load the application that helps them to read the bar code of each purchased item and take the item while continuing shopping. This application is tied to a reward program so that they can receive promotions and special coupons for their preferred products. This operation is so much successful that Ahold will extend it to 18 more supermarkets.

Peapod, an online grocery service chain in the U.S., has launched its own application in September. 36% of its customers have loaded it and now 10% of its orders have been passed through mobiles. FreshDirect in the same activity announced the same figure. In U.K, the British online grocery retailer Ocado declared in May that 15%of its sales were made via iPhone and the Android application.

Geolocation is also used at Meijer's supermarkets, which added it to its applications recently, as it helps customers to find products on their shopping lists. At the end of August, Ocado, following the way paved by Tesco in Seoul during summer, unveiled a vinyl wall poster showing its products on an empty storefront in London. Passers-by could scan the products they wanted to buy and be delivered using their own smartphones.■

Sources: Bloomberg/The Wall Street Journal

STUDIES

FRANCHISING IN TURKEY

I. The attraction of investors to the Turkish market.

The territory of Turkey covers 779,452 km2 and it counts on a population of 78.8 million inhabitants. This is a country immediately recognized by its dynamism, due to its predominantly young population (54% of the population is under 30 years old) and due to its growth potential. Urbanization and westernization of big cities were factors responsible for the modernization of the distribution markets. This modernization relies on a fast development of shopping centers.

The official language is Turkish, several regional languages are also spoken including Arabic, Kurdish and Laz. Turkey is a country of continental law. Its political organization takes the form of a unicameral parliamentary republic embodied by the Grand National Assembly of Turkey.

The religion of the country is Islam, however, since 1934, a statement about secularism figures on the Turkish Constitution. Its rapprochement with the West (Turkey is a member of NATO, of OECD, of G20, of Council of Europe and has signed an Association Agreement with the EU in 1963) is seen as a guarantee of political stability for investors. Nonetheless, problems related to corruption and conflicts with neighboring Cyprus and Greece remain.

II. Turkish economy and distribution sector.

The country's potential to attract foreign investment is characterized since the early 2000s by a stable inflation rate to 10% on average and increased purchasing power, with a GDP per capita of $ 10,436.

Turkey is the country that grew the fastest among emerging economies. Its average growth rate was 6% in the last five years. The process of trade liberalization and facilitation measures such as the granting of bank loans in place from the 1980s encouraged the country's openness to foreign investment.

Urbanization and Westernization of the big cities were the factors responsible for the modernization of the distribution market that relies on an accelerated development of shopping centers. The distribution sector is the fifth largest market in Europe in terms of food expenditure and the eighth largest all expenses combined.

Between 1993 and 2000 the number of franchisors evolved from 36 to 300 and the number of franchisees evolved from 663 to 10 000. The Turkish Franchise Association (UFRAD) reports a high rate of foreign franchisors as they account for between 65 and 70% of all franchisors.

III. A legal background for franchising yet to be defined.

The beginning of the franchise networks in Turkey dates back to the 1980s, when the most famous chain of fast food conquered the country. Over the years, with experience of the local market, franchise networks have settled in all sectors.

The establishment of a foreign franchisor in Turkey is treated as a flow of foreign direct investment (FDI). The new Foreign Investment Act of June 5, 2003 (Act No. 4875) has strengthened the protection of foreign investors in establishing the principle of national treatment, thus removing the requirement of preauthorization.

Despite its rapid growth and very positive economic environment, Turkey has no specific legislation regarding franchise. Franchise agreements continue to be governed by common law obligations, including the Turkish Code of Obligations No. 818 of 1926 and the Law on the Protection of Competition No. 4054 of 1994.

Since 1991 the Turkish Franchise Association strives to facilitate the integration of foreign franchisors in the Turkish market. Having adopted a code of ethics based on the European Code of Ethics for Franchising, the Association promotes quality standards that govern the franchisor-franchisee relationship and demand, in particular, the implementation of a specific law on franchising.

By Gilles Menguy, Barristor, Solicitor of England & Wales, GAST & Associés invested £ 500 million in a campaign to lower the prices of 3,000 of its own-brand everyday products and reverse sales decline. In H1, recurring operating income climbed 4.5% to £ 1.27 billion. LFL non-food sales dropped 4.8% in the 1st and 2nd quarters.

Outside U.K, LFL sales excluding petrol rose 0.9% and 1% respectively. In other regions, they were +1.8% in the Czech Republic, +2.6% in Hungary, -0.4% in Poland, +7.8% in Slovakia, +4.4% in Turkey and -3.4% in the Republic of Ireland.

In the U.S. total sales rose 23.1% to £ 304 million petrol included. On a constant basis and excluding petrol LFL sales rose 11.7%. Losses improved by 23.2% to £ 73 million.

In Asia, LFL growth was +3.9%, driven by China (+6.2%) and Thailand (+8%).

NORTH AMERICA

UNITED STATES

The vacancy rate is at the highest level in at least 10 years in regional shopping centers.

The rate rose in regional shopping centers and super regional centers to 9.4% in the quarter ended September 30 up from 9.3% in the second quarter and 8.8% a year earlier according to Reis Inc. Store owners face falling sales as unemployment hit 9% now impacting consumers' confidence and also because online sales attract more customers. Retail sales in the United States unexpectedly stagnated in August after a 0.3%-growth in July, which was already weaker than expected.

Malls are under pressure as the vacancy rate of anchors forces smaller stores either to close or cut their surface. Rents requested by landlords amount to $ 418 per sq.m in Q3 up from 417 three months earlier and 416 one year ago.

In the neighbourhood and community centers, the vacancy rate remained unchanged at 11% in Q3 to $ 204 and compared with 10.9% ($ 205) one year earlier. It was the highest rate since 1990 when it reached 11.1%. It is the 14th consecutive period during which rents remained unchanged or fell.

Customers remain frugal.

Under the pressure of a high unemployment, a heavy debt, the falling home value and increase of food and petrol, consumers limit their spending cautiously. They buy what they only need, avoid premium brands, keep their coupons and limit their purchasing.

This situation seems already difficult just before the holiday period (running from end of November to early January). The lagging back-to-school sales show that it will not be easy for many consumers and retailers are worrying as they have too much merchandise ordered early spring when the economy seemed rebounding.

Retailers and manufacturers seek the means to attract new frugal consumers. Some still expect to pass on higher costs of cotton and grocery. Coca-Cola has added new smaller packages at cheaper prices. Many stores expand their store brands at lower prices…

Eight of the 16 large retailers, surveyed by KeyBanc Capital Markets, declared that their stocks had risen faster than their sales when they unveiled their results in the 2nd quarter in August.

Among apparel stores, many expected to raise their prices this fall to recover the rising cost of cotton in March before a recent fall.

KeyBanc Capital Markets expects that retailers will offer promotions to help them to protect as much as possible their profit margins and try the "buy one, get half-off a second item" formula.

At Wal-Mart, whose 20% of customers do not even have a bank account, customers stock rapidly their merchandise once paid, then choose small packages at the end of the month when they are out of money. They asked the discounter to use again the lawaway, which it finally accepted just in time for the Christmas season after 2 years of falling LFL sales in the U.S. According to this formula, a pre-recession practice it had stopped in 2005, it is possible to buy one item without paying it totally immediately. However, rather than bringing it at home and to repay the debt regularly, the customer gets it once it is totally paid.

Other retailers such as Sears Holdings and Toys R Us used the same practice and saw their sales rising.

Discounter Target follows another way. One year ago, it started offering a debit and a credit card giving a 5%-discount on all purchases and aligns its prices with those of the completion. It admits that people that use their cards grow their spending by 50% at each visit. But its customers are wealthier than those of Wal-Mart as it caters to households of $ 75,000 and more.

At "Dollar stores", sales rose during the recession and moderated only when economy seemed improving. Today, the new pressure on consumers push sales up again. In this context, Dollar General raised its full-year sales forecast between 4% and 6% from 3% to 5% previously announced at the end of August. For this company, customers are broken into two groups: on one side, those who face rising prices of petrol and grocery shop at Dollar General because its store-brand prices are cheaper; on the other side, those who can afford to shop elsewhere but choose to come to the "dollar stores." To cater to them, Dollar General sells smaller packages generating lower spending and it slowly passed on the grocery price rise to consumers and came back when sales decreased.

Americans buy more store brands from cosmetics to cleaning products.

Store brands earn market shares:
a 4-week period to September 3, 2011

category	market share (%)
Cleaning products	8.2%
Disposable paper products	20.1
Household care	19.4
toiletries	7.1
Cosmetics/skincare	6.4
healthcare	28,.7

Source : Bernstein Research

Wal-Mart would see the end of declining sales in the U.S.

In the U.S., same-store-sales improved in the past three months (July/August/September), ending 9 consecutive quarters of declining sales.

For 2012, Wal-Mart expects sales to grow between 5 and 7% and to cut operating expenses by more than 100 basis points as a percent- →

age of sales over the next 5 years. Global expenditures will amount to around $ 13 to 14 billion in the next fiscal exercise. In the U.S. it will invest 6 to 6.5 billion next year to open 210 to 235 new stores up from 142 to 150 one year earlier. Its 80 Supercenters (hypermarkets) will remain in the heart of its efforts but it will open smaller units of 8,500 to 14,000 sq.m compared with the traditional 17,500 sq.m format. It will also add 100 small and midsize formats to better penetrate midsize urban markets.

The firm decided to give up the Marketside concept it launched in 2008 that seemed to answer to the Fresh & Easy concept of Tesco in the U.S.

It also plans to add 20 Express stores similar to convenience stores for urban markets: presently 5 only are opened and 5 more are scheduled for this year's end. Regarding the renovation program of its older units Wal-Mart moved back and gave up the previous project, which weighed on its sales.

Beyond its "lawaway" practice (*cf. Store brands article*), it will expand its options of free delivery to grow its online sales. In the program "Home Free", launched in October, they are free for many products including apparel on every invoice above $ 45.

In foreign markets, Wal-Mart will try to improve the store profitability in the fast-growing markets over the next five years especially in Brazil and China.

Gap to expand in Latin America via franchise and close stores in U.S.shopping centers.

To reinforce its presence in foreign markets, America's largest apparel retailer by sales, owner of Old Navy and Banana Republic banners, has outlined a program of store openings via franchise in Chile, Panama and Columbia and recently entered Poland aiming the cities of Katowice, Krakow and Wroclaw in 2012.

In Chile, Gap works in partnership with the fashion retailer Komax and opened 2 stores recently. In Panama and Colombia, it joined its forces with Superior Retail to launch Gap and Banana Republic in 2012. It now has franchise agreements to expand in 33 countries on 6 continents and plans to double the number to 400 by 2014.

In the past five years, Gap has developed into 29 countries through Asia, Europe, Latin America and Middle East. It plans to close 189 Gap stores in North America over 2013 to decrease to 700 units, or approximately 200,000 sq.m in shopping centers due to the soft economic environment and the online retail market growth that change the context in shopping centers. It will leave leases expire rather than stop them earlier.

In addition, in the U.S. Gap difficulties are mainly due to its own mistakes, the merchandising teams having failed to find attractive styles. Some of its problems are the same problems met by its business: retailers entered into recession with too many stores and were forced to forgive some opening projects.

Its Old Navy, Banana Republic and Gap banners sit among the largest tenants of the most eminent U.S. malls, especially those with high-traffic and higher quality. Simon Property Group considers it as its largest tenant beside department stores. Gap operates 353 units in Simon's centers and accounts for 3.1% of its rents. It is also the largest tenant in General Growth Properties' malls accounting for 2.9% and it is the 4th largest at CBL&Associates Properties with 2.2% of rents. However, if it is to close traditional full-price units, it plans to add 50 Gap outlet stores.

It will continue expanding in China and Italy. Sales in international markets rose 16% in H1 thanks mainly to new openings. But LFL sales dropped 5%. Net income was down 21% to $ 422 million.

Home Depot evolves towards a convenience format for its professional customers.

With this new store format, Home Depot may have found one opportunity to grow its activity in a still lagging context while answering to its highest-spending customers, builders and contractors who want to spend "as little time as possible" at Home Depot. These professionals account for just 30% of its sales but 3% only of its purchasers. A typical customer goes to Home Depot 4 times a year and professionals 5 times a month.

This strategy was launched early this year and brings many small changes, which, in some cases, generate high investments. In most Home Depot improvement stores, the company puts dedicated parking spaces at the disposal of those customers. Orange-vested employees will help to load merchandise into their vehicles During peak hours, Pro cashiers will be at their disposal at the Pro counter with their computers to help them and answer their questions.

ASIA

CHINA

Wal-Mart problems in China draw attention from foreign firms present in the Middle Kingdom.

Ed Chan, president and ceo of Wal-Mart China, and Clara Wong, senior vice president for human resources in China, both recently resigned. Robert Lawrence, chief officer for China, and Rob Cissell, chief operating officer in the country had resigned in May. Ed Chan had managed the division during 5 years opening 353 stores amid lagging sales.

In addition, 37 persons were arrested in the frame of pork mislabeled as organic. 13 stores were temporarily closed in Chongqing, in the southwest part of China in October, 2 employees were arrested and 37 more detained for the same pork sale.

Changsha authorities fined Wal-Mart and Carrefour earlier this year $ 1,570 each for the sale of grocery whose expiry date had been changed to keep merchandise longer in the shelves. In February already, the government had fined both companies $ 1.5 million for deceptive pricing.

All these events happen amid the increasingly concern of the Chinese consumers about food safety as a lot of food scandals led to the death of 6 children and made ill 300,000 more.

LFL sales of Wal-Mart China fell for 3 years. The division posted revenues of $ 7.5 billon in the past exercise to end of January 2011 accounting for 2% only of its global sales and ranks it second largest retailer behind Sun Art Retail Group according to Euromonitor International.

Increasingly aggressive local authorities are worrying western firms that expand away from their traditional ways such as Beijing and Shanghai into second-tier cities lacking clear laws and regulations. In Dalian, in the north part of the country, officials are launching a new national pension system. According to it, which covers also local employees, firms would be required to pay up to 3,500 yuan ($ 5 400) per month for every foreign employee and Dalian would raise it to one third of the foreign employee's wage.

In addition, the central government reinforced its control on foreign firms. In May, Chinese authorities fined Unilever when it announced the price increase of soaps and detergents pushing it finally to conform to the local regulations.

Nike active in China.

The world's largest athletic apparel retailer seeks to double its sales to $ 4 billion in China by 2015. To reach this target, its means consist in opening more new stores, renew focus on entertaining sports like running and snowboarding and to reinforce its stable basis of local members.

But Chinese consumers are a major obstacle because field sports such as soccer and baseball are not very attractive for them as they live in urban centers. They practice sports in various manners. While many ride a bicycle to work, they do it in their street apparel. School children have 40 minutes of government-mandated calisthenics everyday but it is no kind of sports. Now, gyms have been growing in popularity in this country those past years and sporting goods retailers enjoy growing sales.

Nike, often considered as a fashion brand in China, faces competition from fast fashion retailers including Gap or H&M, which are present in this country, and like all foreign firms has to fight against counterfeit.

Nike and its competitor Adidas are among the first foreign apparel manufacturers to expand in China. Nike now operates 7,500 stores, franchised units included. It sponsored stars in this country and is now the largest sportswear firm according to Euromonitor International, which estimates its sales up 8% in 2010 to $ 2.12 billion.

Source : The Wall Street Journal

Hang Lung Properties and CapitaMalls Asia are building shopping centers aiming the luxury market.

Hang Lung Properties, 3rd largest Hong Kong-based developer, is building upmarket shopping centers in China aiming cities with revenues of $ 63,000 per capita. With its mother-company they bought a land in Kunming, the capital of the Yunnan province, in the southwest part of the country, for $ 547 million. It covers 401,383 sq.m of floor area that will be used for a commercial development. In addition, Hang Lung Properties has opened a mall in Jinan in the east part of China in August, which is an investment of $ 550 million and the 4th outside Hong Kong. It also spends $ 6.4 billion to build shopping centers in the cities of Shenyang, Wuxi, Tianjin and Dalian, which are due to be completed over the next 4 years.

On its side, Singapore-based CapitaMalls, a division of Capita Land, Southeast largest developer, is to invest $ 1.0 billion to build a shopping center and 2 office buildings in Suzhou, west of Shanghai, which will be owned jointly by Suzhou Industrial Park and Jinji Lake Urban Developer. China accounts for 44% of Capita Malls assets ($ 4.8 billion) and is its largest market. Suzhou was chosen as it is the country's 5th largest city by GDP growth and it is only a 30-minute race by train from Shanghai.

CapitaMalls has built ION Orchard in Singapore and counts 55 shopping centers in China including the Rafflets City complexes in Beijing and Shanghai.

In China, the number of millionaire households jumped 31% to 1.11 million in 2010 according to the Boston Consulting Group and demand for commercial sites contributed to grow investments in commercial property by 42% last year. In the first 7 months of 2011, they increased by 33.6% to $ 5 billion according to the Chinese bureau of statistics.

HSBC Holdings recently announced that Chinese consumers would be the largest investors in the luxury market. Retail sales rose 17% in August following 17.2% in July according to the same source.

But, local developers face increasingly fierce prospects in matter of credit, which forces them to cut prices and borrow capital at higher rates according to Samsung Securities.

Taobao Mall to team with competitors.

Taobao Mall, a division of online retail giant Alibaba Group Holding, China's largest online platform by the market share, will allow 38 online local retailers to open virtual stores on its site as it seeks to join its forces with smaller competitors such as Vanci.com, an online apparel seller and Yihaodian, a seller of grocery and electronics in which Wal-Mart is to buy a stake.

Taobao would also seek to welcome stores for other web sites such as Jingdong, second largest retail website that sells a wide choice of merchandise on its site 360buy.com, or E-Commerce China Dangdang, an online book seller.

Taobao itself will not sell merchandise or become a retailer and the market is important enough so that other commercial sites have a virtual store on Taobao in addition to their own websites. Its decision is justified by the fact it faces tougher competitors, some succeeding even in raising substantial funds to expand. Taobao has capital enough to focus on its market share growth. It expects that the transaction amount on its site to reach $ 15.7 billion this year and the double in 2012. Main part of its sales will come from commissions on sales.

In June Alibaba Group cut Taobao business into 3 companies: Taobao, a platform for retailers selling to consumers, Taobao Marketplace, which operates the flagship Taobao, connecting purchasers and sellers and eTao, a research service across Chinese shopping websites.

To increase its market share, it will continue investing in the brand, attract new users and infrastructures aiming the consumer's protection for example. It also has to review its site policy to grow customer service while raising the security deposit from retailers.

Alibaba Group Holding Ltd is to invest $ 282 million in Taobao →

Mall to help small retailers who sell merchandise on its platform as its fee growth weighed on some retailers' sales. Part of this fund will help to offset users of Taobao Mall, who complain of a bad service from retailers on its site, another part will help retailers to obtain bank loans and the remainder will be used for a marketing campaign and its platform improvement.

Taobao Mall announced that at the end of this year it will start to ask its retailers to pay $ 10 approximately annually or 10 times the current level to compensate technology fees. This money will be returned to those who generate a certain volume of sales but this displeased a certain number of small sellers. Alibaba was urged by the minister of Commerce to review its relationships with the small and medium-sized retailers.

JAPAN

To expand to the western part of the archipelago, Aeon makes acquisitions.

Japan's largest supermarket chain (1,300 outlets) acquires the regional grocery retailers Marunaka and Sanyo Marunaka KK, totaling 211 stores, for $ 587 million to boost its growth. It seeks to expand in a recovery context as the northeastern part of Japan is rebuilding from the earthquake and tsunami of March 11 and consumers are looking for various merchandise, such as light bulbs, air conditioners and refrigerators.

Both chains posted operating profit of Yen 8.2 billion ($ 1.06 billion) in the full-year exercise to March 31 on sales of $ 4.3 billion.

Fast Retailing reported a 12 decline net profit for the 12 months ended August 31.

Fast Retailing, parent of Uniqlo, unveiled for the first time in 4 years a net income falling 11.9% to Y 54.35 billion ($ 665.79 million) from 61.68 billion one year earlier. Reasons would concern unfavorable weather conditions and shortages of popular products. Sales rose just 0.7% to $ 10.04 billion but operating income fell 12.1% to $ 1.43 billion. Both the net profit and sales are lower than the company's guidance it announced when it released its nine-month results in July.

In the year, Uniqlo sales in Japan, accounting for 73% of the total, decreased by 2.4% while sales outside Japan continued growing by 28.7% to $ 1.15 billion. Operating income jumped 40.6% to $ 109.03 million. Margins were also impacted from a sharp rise in raw cotton prices.

As concern the current exercise to end August 2012, Fast Retailing expects a two-digit growth of sales and profits: a net income up 30.6% to $ 925.91 million on actual change rates and sales up 17.6% to $ 12.58 billion.

The target is to add 200 to 300 new stores per year in the short term bringing the total count to 288 outside Japan to end of August 2012, or 100 more than one year earlier. Plans includes Asia: in China, where 149 shops are in operation it expects to add 100 units annually bringing the total to 1,000 by 2020 and 50 in Korea. Fast Retailing also expects to enter Vietnam, Indonesia, India, Australia, New Zealand and the Philippines by spring 2012. Mid-October, 2 upscale Uniqlo stores were opened in New York and cities of Los Angeles, San Francisco and Chicago are aimed.

THAILAND

Big C has announced a capital increase project.

Big C is a subsidiary of the French Casino Group, which is its largest shareholder. It has been authorized by the Board of Directors to subscribe a capital increase of € 595 million. This fund will be mainly devoted to the repayment of the debt incurred for the acquisition of the Carrefour stores in Thailand. It will also help to reinforce its co-leader position in this market while developing through acquisitions and expanding a store network in the country and the region.

MIDDLE EAST

EMIRATES

A new regulation will weigh on small retailers.

A new regulation or "Blue Book" enacted by the department of Economic Development early October follows complaints on the customer service sector and more precisely on warranties. It aims to normalize relationships between retailers and customers and includes 4 sectors: invoices, warranties, exchange and refund policies and repairs. Car and apparel/personal items and electronics sellers are especially targeted.

If this regulation, which aims to define the consumers' rights, does not change the practice by major brands, it will however affect highly small retailers who do not respect norms.

On this competitive market, the regulation was rather well welcomed by some. Others estimate that it will help customers to differentiate the good from the bad retailers, people say at Mazda, which adds that it is necessary to have a unified regulation for everyone. But, some fear that customers will take advantage of cash refunds or merchandise exchanges.

Majid Al Futtaim to set up a sukuk program as the market volatility continues to reduce its plans.

The Carrefour franchisee will launch sukuks and plans to raise funds from the markets when conditions will permit it. While its liquidities are high enough, it is not in a hurry as markets are still volatile.

"A Sukuk is an Islamic financial certificate, similar to a bond in Western finance that complies with Sharia, Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a sukuk sells an investor group the certificate, which then rents it back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the bonds at a future date at par value."

MAF raised $ 1 billion loan in July to help it repay its debt and enjoy from additional funds after it gave up its bond issue. The firm seeks to expand the Carrefour franchise to the north of Iraq in 2011 and to Lebanon in 2012, growing to 13 the number of Mena regions in which it has a presence. Its development in Syria and Egypt was shortened due to the political events in those countries this year, forcing it to slowdown its investments.■

Impression : HDP - Maquette : A.two Design - 92130 Issy-les-Moulineaux - Tél. 01.55.95.90.90