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Retailing in France 2008

Purchasing power & liberalisation

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About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

> **"Verdict are the company of choice for any research analysis and insight into retailing"**
>
> **Sir Stuart Rose**
>
> Chief Executive of Marks & Spencer

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.

Retailing in France 2008

Purchasing power & liberalisation...

Despite a relatively buoyant retail market with all sectors showing growth in recent years consumers' disposable incomes have been squeezed by high average basket costs in France. The high cost of living which has engendered a public debate is paving the way towards liberalisation of the strict regulatory environment that has been inhibiting growth of retailers. With liberalisation likely retailing in France could be on the verge of a growth revolution.

This new report published by Verdict provides accurate insights into the key trends and future developments for France's retail sector and in-depth analysis of the main operators in the market. It also offers new insights into the strategies for growth in a challenging and competitive market environment through its detailed analysis of the opportunities in the country.

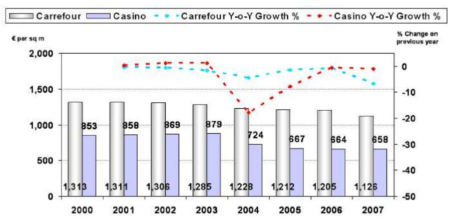
16 Key French retailers featured

Auchan	E.Leclerc
Brico Depot	Etam
But	Ikea
Carrefour	ITM
Casino	Leroy Merlin
Castorama	PPR
Conforama	Printemps
Darty	Vivarte

This new report will help you to assess the retail competitive landscape in France and create strategies to exploit future growth in the retail market...

The hypermarket concept is in decline...

The decline of the hypermarket



Source: Retailing in France 2008

"Carrefour and Casino, two of France's key players have seen their sales densities drop by 14.3% and 22.8% respectively between 2000 and 2007 due to a combination of stagnant or declining sales growth of the format and continuous space extensions. The plethora of discounters and convenience outlets has reduced hypermarkets' share of retailing whilst a strict regulatory environment and specifically the Raffarin, Galland and Dutrueil laws have inhibited further hypermarket growth in the country..."

- **Quantify key retail trends and accurately predict future opportunities** based on this report's company analysis detailing market share of leading retailers, demographics, channels of distribution, store numbers, selling space provision, sales densities and average store size in six key retail sectors.
- **Predict potential growth for retail in France and the challenges facing key French retailers** in-depth analysis of market drivers, key issues and market outlook using this report's growth forecasts for DIY, Food & Grocery, Furniture, Out-of-Town, Clothing (including department stores) and Electricals in France.
- **Develop more effective strategic responses** with this report's actionable recommendations for how retailers can cope with the changing French retail market.

Retailing in France 2008

This report answers key questions including...

- What are the key issues affecting the retail market in France?
- Who are the top players in the French market and how quickly are they consolidating their position?
- Where are the growth opportunities in the French market?
- Where are the major threats to French retailers coming from?
- What impact is discounter growth having on the French retail environment?

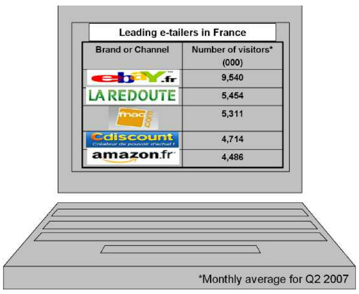
Key Retailer Data

Sales densities
Selling space
Number of stores
Sales
Operating profit
Average store size
Sales per outlet

Key issues examined in this report...

Online will become an increasingly important channel for retailers in France, especially in the electricals sector...

Leading e-tailers in France



Brand or Channel	Number of visitors* (000)
ebay.fr	9,540
LA REDOUTE	5,454
fnac.com	5,311
Cdiscount	4,714
amazon.fr	4,486

*Monthly average for Q2 2007

Source: Retailing in France 2008

"Electricals retailers have appealing web offers and are well placed to grow online sales rapidly over the next few years. Fnac is particularly well suited to the online channel due to the high proportion of related product categories in its sales mix, such as PCs, music and MP3 players. The key to succeeding in the music retail market over the next few years will be multi-channel operations dovetailing online and bricks & mortar channels under one retail brand..."

- **Legislation.** Compared to other countries in the EU such as the UK, Germany and Spain, the outlook for retailing in France looks relatively healthy. Though ultimately the situation will be affected by any reforms and changes in legislation, which will have a significant impact on the overall retail environment in the country. Depending on the political climate the various tradeoffs in negotiating reforms will probably ensure that progress will be slow.

- **New format development/locational strategies.** Hand in hand with new locational strategies comes new format development. Simplification is another key theme and internet services are being overhauled. To conclude we will see more multi format/channel retailing but also more single brand retailing in France going forward.

- **Green Retailing.** Currently the organic sector in France is mainly small scale and the number of outlets stands around the 1,800 mark. However this could be about to change with the arrival of Naturéo, the first organic supermarket on French soil.

Chapter 4: Food & Grocery

Market Summary

- Verdict estimate that in 2007 French grocery retailers' sales grew by 1.5% to €153.2bn on the back of rising food price inflation, offsetting the benefits brought by the January 2006 reform of the loi Galland, which enabled retailers to pass on some distributors' discounts to the consumer.

- Apart from hyper and supermarkets, the situation in France is characterised by strong competition for growth in the discount sector between Aldi and Lidl and home grown retailers Leader Price, Carrefour's Ed and Netto (owned by ITM Entreprises, not the Danish retailer of the same name). The return of inflation and the discussion about purchasing power levels has clearly played into the hands of the format.

Table 3: France % share of grocery value sales by format 2002-07

% share of value sales	2002	2003	2004	2005	2006	e2007
Hypermarkets	36	35.7	35.2	35	35.3	35.1
Discounters	9.9	10.9	12	13	13.2	13.5
Supermarkets	30	29.9	30.2	30	29.9	30.1
Others/Independents	24.1	23.5	22.6	22	21.5	21.3
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Retailing in France 2008

- The relatively high average store size of 446.3 sq m in 2007 reflects the high number of hypermarkets, still the dominant format in France, with an estimated share of 35.1% of the market. Despite all recent attempts by the French government to protect smaller retailers, including the loi Raffarin, the loi Galland and the loi Dutreil, smaller scale neighbourhood stores and independent retailers are losing the battle in France, with market share concentration of the leading multiples continuing.

- Yet, as in other mature EU grocery markets, hypermarkets in France are struggling. In France, the hypermarché is held back by a number of reasons: planning regulations such as the loi Raffarin are stacked against future development and the rise of the discounters has stolen footfall. Moreover, trends towards convenience shopping have become more accentuated in times of rising numbers of single person households and an ageing population profile. Counting against the format is also its typical out-of-town location. Older (single) consumers will not necessarily travel to a hypermarket to do their weekly shop. Operating costs are also high and many of the outlets are quite tired and in need of an overhaul. Ultimately the loi Galland restricting competition on price has also played a part and impacted hypers hard as price perceptions of the format have gone into negative territory among the French public. This in combination with public debates about purchasing power and rising inflation levels also explains the recent focus on price comparisons of the likes of E.Leclerc.

- The invasion of the hard discounters is remoulding the French retail landscape. After a year of stagnating sales ending with H1 2007, the format gained new momentum towards the end of 2007. With a 13.5% share of French grocery retailing, the format's share of value sales has grown by 60.0% since the turn of the century, while the number of outlets has doubled. More than two-thirds of the French public are now customers of one of the discounters, a number that has also significantly increased.

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