



# GLOBAL RETAIL FREEVIEW

A free synopsis of global retail  
news and opinion

April 28, 2011

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Welcome to the latest edition of Verdict's Global Retail FreeView, in which our analysts bring you a roundup of all the major events, news, and views in the international retail sector.

In this issue, we take an in-depth look at **Walmart's new grocery home delivery service in California**. We are also pleased to introduce our **Anthropologie: Boutique Retail on the High Street** Retail Innovation Case Study.

Verdict Research is a retail information specialist within the Datamonitor Group. With over 25 years' experience, Verdict publishes unrivalled independent analysis. Our reports, briefings, consumer research and consulting services provide clients with a complete picture of the UK and increasingly the international retail arena, helping retailers, manufacturers, service suppliers, analysts, and consultants to fully exploit opportunities within the sector.

### LATEST REPORTS & ANALYSIS

#### Latest reports

We produce a range of reports analyzing the key players in various retail sectors throughout Europe and the rest of the world.

**Anthropologie: Boutique Retail on the High Street**

**Forever 21: Youth Fast Fashion**

**Global Hypermarket Revitalization Strategies**

**Service Station and Convenience Retailing Joint Ventures in Europe**

### LATEST GLOBAL RETAIL NEWS

### RETAIL VIEW FROM EUROPE

### LATEST VIEWS AND OPINIONS

#### ELECTRICALS & HOME



##### Harvey Norman sales impacted by rising commodity prices and deflation

Australian home and electricals retailer Harvey Norman saw a 1.4% rise in global sales in the nine months to the end of March to A\$4.7bn (\$5.0bn). However, the increase stemmed predominantly from new stores, as like-for-like sales fell 3.5%. The retailer also has stores in Slovenia, Ireland, Northern Ireland, and New Zealand. The deep impact of the recession on the European market along with rising commodity prices have led to dampened consumer spend and contributed heavily to poor sales results at existing stores. Moreover, deflation across several key categories, such as televisions and laptops, slowed sales growth. However, sales in other categories, such as bedding, digital cameras, and smart phones, helped to buoy flagging sales.

##### Rona looking for acquisitions in the US

Leading Canadian home improvement retailer Rona is eyeing potential acquisitions in the US, with a view to spend up to C\$300 (\$315m). The retailer plans to take advantage of the strength of the Canadian dollar over the US dollar, as well as the current weakness of the US economy. Moreover, the US home improvement retailing market is highly fragmented, opening up further opportunities for acquisitions and consolidation in the sector.

##### Dixons plans to close Spanish stores

Dixons Retail will close its 34 PC City stores in Spain, leading to a complete exit of the market, which was hit heavily by the economic downturn. In the year to February 2011, the country suffered from the largest annual decrease in retail trade in the EU27 at 5.6%, along with the highest unemployment rate at 20.5%. The poor economic situation in the country led to continued sales declines at Dixons' PC City stores.



## CLOTHING, FASHION & PERSONAL CARE

### Sydney to gain international fashion brands

A series of internationally recognized fashion brands are set to open up in Sydney, ramping up competition in the Australian apparel market. The surge in brands will give Australian shoppers more choice and encourage incumbents to be more innovative in terms of product design and marketing. New entrants include Topshop, Uniqlo, and Zara. H&M and Forever 21 are both in negotiation with shopping center developers, while more upmarket brands, such as Hermes and Burberry, are also increasing their profile in the city.

### Clarks enters India

UK footwear retailer Clarks has entered the Indian market through a joint venture with giant domestic retailing conglomerate Future Group under the Clarks Future Footwear Ltd banner. The retailer has opened a 150 sq m store in the Connaught Place commercial center in Delhi, with plans to open 20 stores in 2011 and operate 50 by the end of 2012. Clarks will expand its brand presence further by selling its footwear in some of Future's other stores, as well as Metro Shoes outlets.

### Bergdorf Goodman allows customers to design a Fendi bag

US retailer Bergdorf Goodman has asked customers to design certain aspects of the new Fendi 2Bag via a competition hosted on the Facebook social media site. The winning entry will be sold at Bergdorf Goodman in the autumn of 2011. The competition demonstrates how luxury retailers are increasingly opening up their brands to a wider consumer audience as well as the rising importance of social media in retailing. The initiative will help to promote the retailer brand by encouraging public participation, as the entrants' Facebook friends will be able to vote for their favorite designs.



## FOOD & GROCERY

### Tesco reports strong 2010 despite weak UK market

Europe's second largest retailer, Tesco, reported a full year increase in sales of 8.1% to £67.6bn (€76.6bn), while underlying profits before tax rose by 12.3% to £3.8bn (€4.3bn). However, UK like-for-like sales in the period were flat reflecting Tesco's exposure to a struggling consumer environment, and the retailer moving closer to a capacity share of the market. Sales and profits in Asia, where the retailer continues to see huge potential for the future, grew by almost 10%.

### Sonae to open hypermarkets in Angola

Portuguese grocery retailer Sonae has partnered with Angolan retailer Condis to open hypermarkets in the country. The chain will be operated under the Continente banner. The joint venture will give Sonae 49% ownership of the business, as well as full responsibility for operational management of the stores. The first Continente hypermarket will not open for at least another 18 months.

### Chile's Cencosud to focus on Brazil

Chilean supermarket chain Cencosud plans to concentrate on expanding in the lucrative Brazilian market, encouraged by its high population and growing consumer spend. The retailer will grow its presence through acquisitions, having already bought the Bretas supermarket chain in October 2010. A further mode of expansion for Cencosud will be opening up new store formats in existing markets.

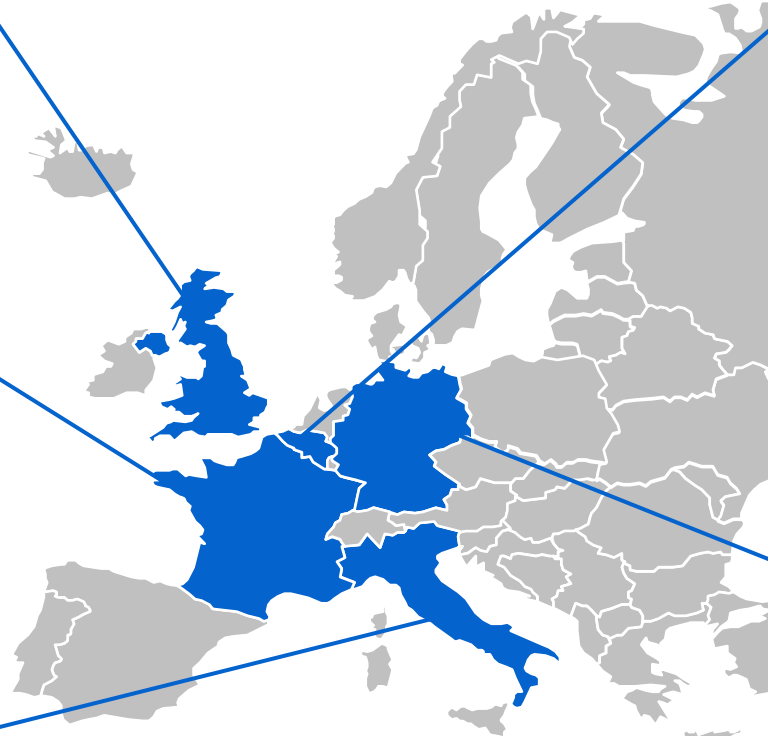
### Sainsbury's opens Clarks concession areas in two stores

Sainsbury's, a leading UK grocery retailer, plans to introduce concession areas for high street brands, including Clarks shoes and O2 mobile phones, in its stores. Clarks concession areas will be trialled in two stores and will help to drive traffic to the stores, as well as enhance Sainsbury's non-food offer. The expansion of non-food brands has been aided by a growth in sales space. The retailer hopes the venture with Clarks will encourage other third party brands, such as Nike and Adidas, to sell through its stores.

British books and stationery retailer **WHSmith** is set to launch a new store format under the Funky Pigeon banner in the UK. The new format will offer personalized greetings cards and stylish stationery. The retailer plans to open three Funky Pigeon stores in some of London's busiest railway stations. Funky Pigeon will compete with Moonpig, a pureplay retailer of personalized greetings cards, and Paperchase, a retailer of fashionable stationery with multiple stores in UK transport hubs, including railway stations.

**Intermarché**, one of France's leading grocers, has started to rationalize its private label offering in a bid to focus consumer awareness. Currently, the retailer has almost 70 private label brands across food categories, but it plans to reduce the number to between 15 and 20 by early 2013. Additionally, the retailer is to launch a new brand, Itinéraire des Saveurs, in 2012 to encompass its offering of ethnic and local produce.

Luxury group **Bulgari** has reported a strong trading performance for the first quarter of 2011, with net revenue rising by 27.5% to E253.8m year-on-year. All product categories showed double digit sales growth, with the core businesses of jewelry and watches experiencing sales growth of 29.3% and 21.9%, respectively. Bulgari's sales performance was especially strong in the Middle East and other markets, where sales jumped by 59.8%, and Asia Pacific, where sales rose by 33.5%, with Greater China alone experiencing sales growth of 76.0%.



**Best Buy Europe**, the joint venture between US electricals giant Best Buy and UK telecoms retailer Carphone Warehouse, has agreed to sell its Belgian operations to domestic telecoms specialist Belgacom. Best Buy Europe is selling all 83 stores in Belgium under The Phone House banner for €22m. The sale is subject to clearance from the Belgian Competition Authority. The retailer will retain ownership of its insurance business in the country. Earlier this year, Best Buy closed its two stores in Turkey and nine stores in China as part of its restructuring plan.

**Amazon**, Europe's largest e-retailer, has launched a Kindle electronic bookstore in Germany at [amazon.de/kindlebuecher](http://amazon.de/kindlebuecher). The store currently retails over 650,000 titles, of which about 25,000 are in German. The retailer has also launched apps for iPad, iPod, iPhone, and Android phones that enable German consumers to read their purchased digital content on the go. The move follows Amazon's launch of the updated version of its Kindle e-reader a couple of weeks earlier, and seeks to further promote e-books and the Kindle in the German market.



## WALMART: TRIALING ONLINE GROCERY DELIVERY IN CALIFORNIA

**Walmart has launched its Walmart To Go online home delivery service in a bid to gain a share of rising online spend and to counteract falling domestic sales. Although high levels of car ownership and the vast size of the US make it difficult to offer such a service nationally, the rise of online retailing along with a maturing market make the trial an imperative move for Walmart.**

The world's largest retailer, Walmart, launched its first online grocery delivery service in San Jose, California, on April 23. The grocer already sells non-food items and dry grocery from its online platform, allowing customers to pick up the items instore. However, the Walmart To Go service will include fresh produce and will deliver goods to customers' homes for a fee starting at \$5.

The move comes as a response to negative domestic like-for-like sales at Walmart stores along with rising competition from online pureplay retailers, such as AmazonFresh and FreshDirect, and other bricks-and-mortar grocery players including Safeway and Peapod. As such, Walmart has been prompted to expand in the online sales channel to maintain its growth momentum. Despite the competition, Walmart already has some experience of online retailing through its operations in the UK, where grocery retailers have shown great innovation in the online sphere.

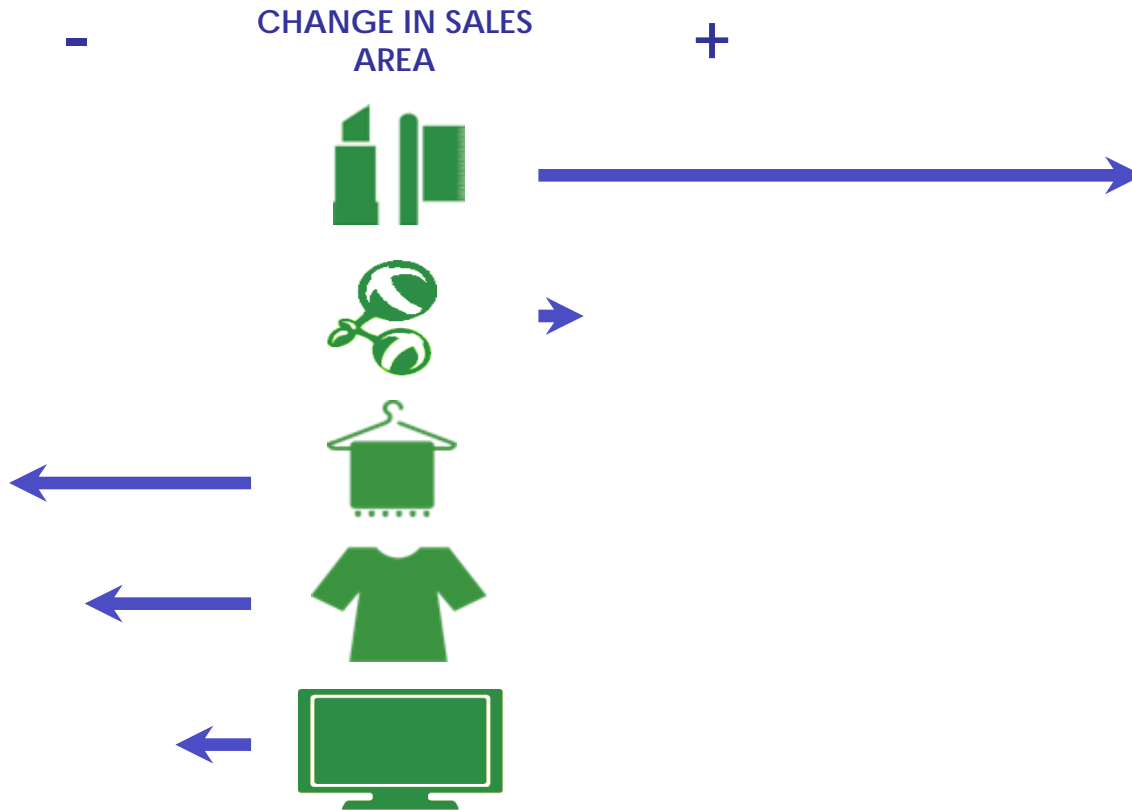
Introducing the home delivery of groceries can be a cost-effective method for a retailer to extend its product reach to new customers, such as those who make small purchases and have little need to visit a full-size hypermarket. However, such services have proven troublesome for US grocers in the past. The online grocery retailing market is in its infancy in the country and demand for such services remains low, which SuperValu cited as the reason behind it terminating its delivery service in 2009.

Moreover, car ownership in the US is extremely high, with around two cars registered for every three people compared to one car for every two people in the UK, limiting the benefits of a delivery service. Retailers also need to consider the logistical hurdles that come with such an offer. The US is a very large country, meaning that retailers will firstly have to focus on a limited area. Such factors combined mean that a home delivery service may prove to be a costly venture and may hamper sales, rather than drive them.

As such, Walmart's move into online home delivery is a risky venture and the retailer is wise to limit it to select urban areas to assess initial demand. Extending its click and collect service will help it tie up its online operations in a more cost-effective manner. Nevertheless, as the US market matures and shopping increasingly moves to the Internet, online is one channel that Walmart cannot afford to ignore.

## GLOBAL HYPERMARKET REVITALIZATION STRATEGIES

This report is an in-depth evaluation of the challenges facing hypermarket operators across the world, the strategies being adopted by the leading players, and the key action points for retailers wishing to revitalize sales in their large format stores.



### Features and benefits

Uncover range assortments and complementary instore services that can be used to attract shoppers and revive sales in large format stores.

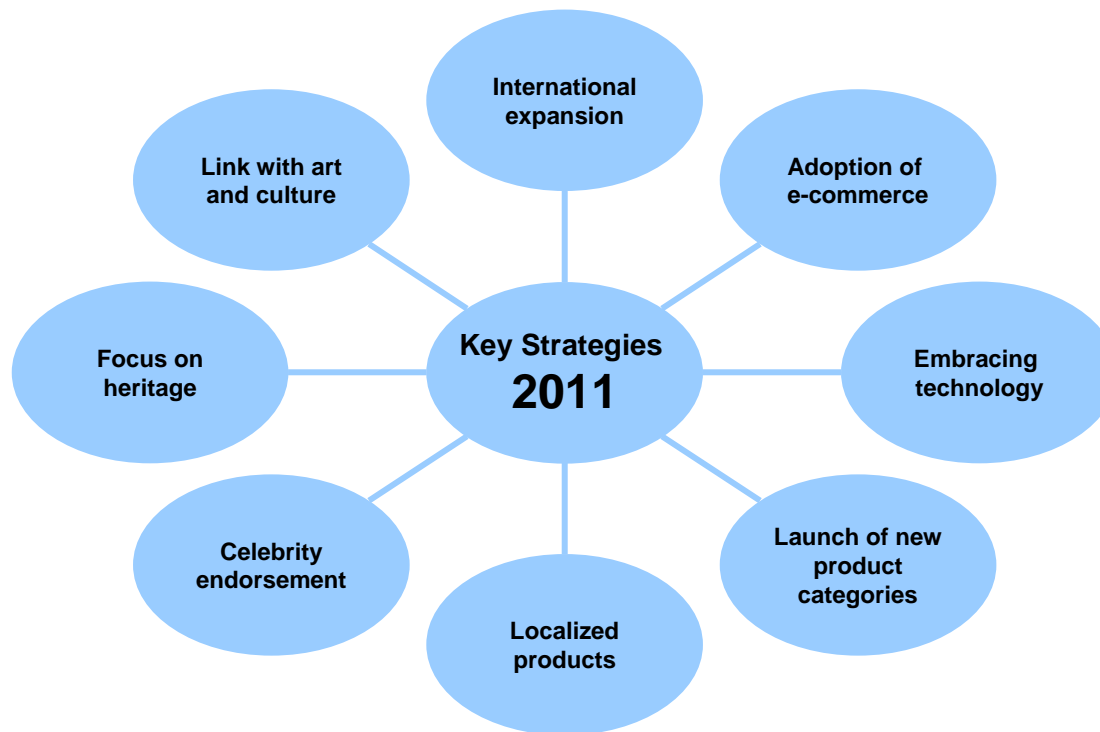
Identify a variety of new ways to reinvigorate the layout of your hypermarket or supermarket by uncovering how other retailers have managed to do it.

Adapt the hypermarket size according to trends surrounding urbanization and household sizes by accessing demographic data covering global markets.

Develop innovative multi-channel strategies and consider alternative store formats by identifying the strategies of your competitors.

## GLOBAL LUXURY RETAILING: MARKET SIZE, RETAILER STRATEGIES, AND COMPETITOR PERFORMANCE

This report gives a comprehensive assessment of the global luxury retail sector outlining regional expenditure and five-year forecasts. It provides an in-depth analysis of the key strategic issues facing the sector, as well as offering market shares and profiles of the leading luxury retailers.



### Features and benefits

Make informed regional investment decisions with forecasted luxury expenditure to 2015 based on a range of inputs including the number of wealthy individuals.

Benchmark your company's performance by accessing profiles of nine leading luxury retailers including their key operating details and global market shares.

Ensure marketing and distribution strategies are up-to-date by uncovering competitor activity in areas such as e-commerce and social networking.

## Verdict produces a range of reports analyzing the key issues affecting retail sectors throughout Europe and the rest of the world

### Sectors, channels, and locations

Global Luxury Retailing  
 Global Airport Retailing  
 Global Jewelry Retailing  
 DIY and Home Improvement Retail in Europe  
 Health and Beauty Retail in Europe  
 Global Department Store Retailing  
 Childrenswear in European Retail  
 Value Clothing in European Retail  
 The Future of European Discounters  
 European Shopping Centers  
 European Grocery Retailing  
 European Electricals Retailing  
 European Clothing Retailing  
 European Furniture Retailing

### Retail market entry

Retailing in Russia: Long-term potential prevails  
 Retailing in Eastern Europe: Westwards expansion  
 Retailing in Romania: Developing retail market  
 Retailing in Czech Republic: First phase complete  
 Retailing in Poland: Non-food opportunities  
 Retailing in Slovakia: Continues to shine  
 Retailing in the Baltic States: Prospects dampened  
 Retailing in Bulgaria: Opportunities for growth  
 Retailing in Hungary: Retail expenditure squeezed  
 Retailing in Spain: Improving situation  
 Retailing in Italy: Tough market with opportunities  
 Retailing in France: Growing liberalization  
 Retailing in Germany: Consolidation begins  
 Retailing in Ireland: New space, new opportunities

### Strategic retail insight

Global Hypermarket Revitalization Strategies  
 Service Station and Convenience Retailing Joint Ventures in Europe  
 Global Strategies in Online Fashion Retailing  
 Private Label Strategies in Global Electricals and DIY Retailing  
 The Future of European Convenience Retailing  
 Internationalization Strategies of CEE retailers  
 The Impact of the Credit Crunch on European Retail  
 Private Label in European Retail

### Retail innovations case profiles

Anthropologie: Boutique Retail on the High Street  
 Forever 21: Youth Fast Fashion  
 Carrefour: Hypermarket Reinvention  
 Costco: The Pinnacle of Value  
 H&M: Designer Collaborations

For more information on our reports and future projects please contact us at [enquiries@verdict.co.uk](mailto:enquiries@verdict.co.uk)