



# Channel trends and regional strategies of global retailers

## The 3rd Pakistan Int. Retail Conference

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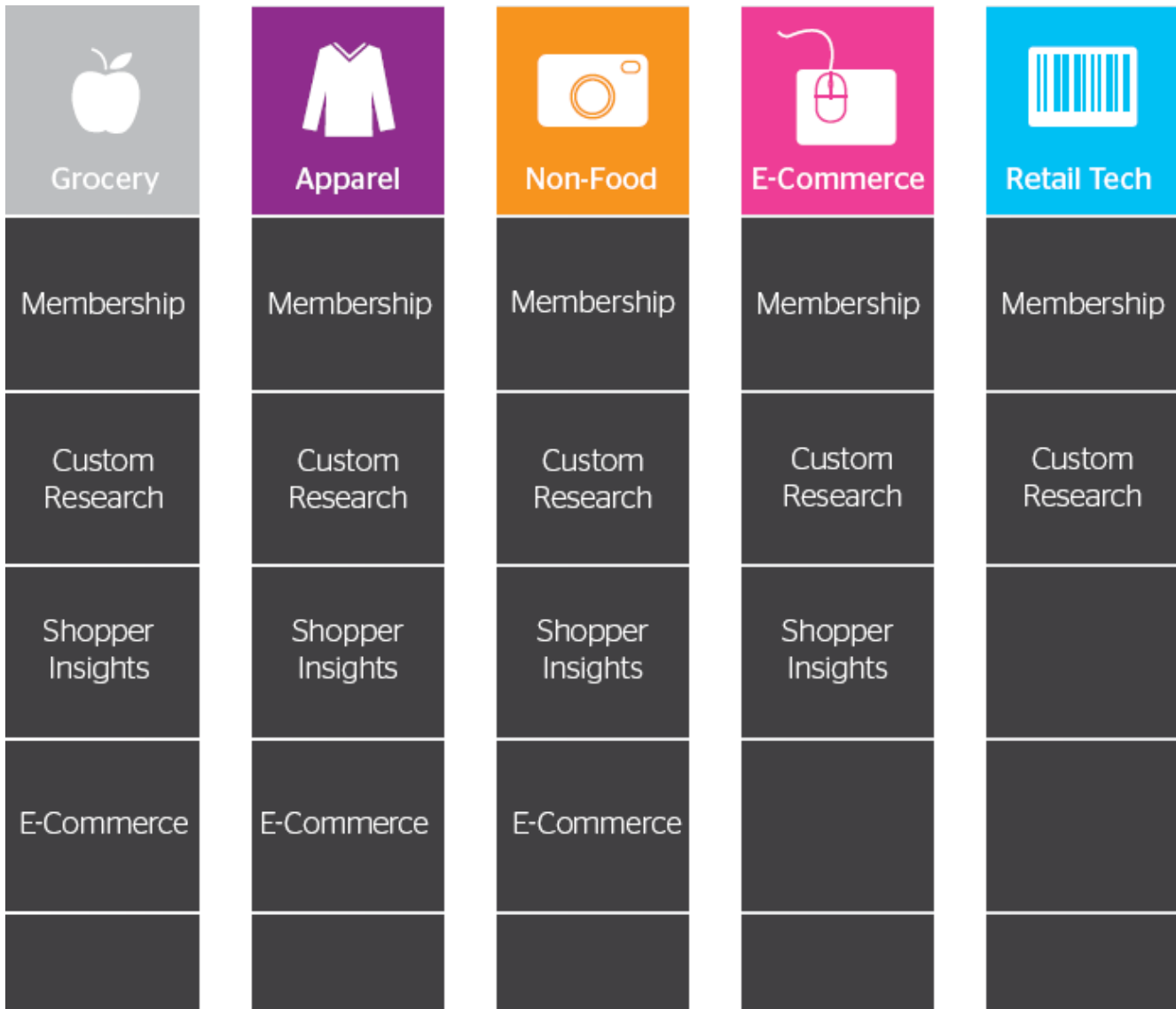
# 1. Planet Retail - Introduction

# What does Planet Retail deliver?

Global coverage of 9,000 retail operations

Membership		Bespoke
 Data & Forecasts	 News, Insight & Media Gallery	 Custom Research
 Retailer Profiles	 Retailer Trend Reports	 Retail Technology
 Macro-economics	 Analysis Tool	 Shopper Insight

## What sectors do Planet Retail cover?



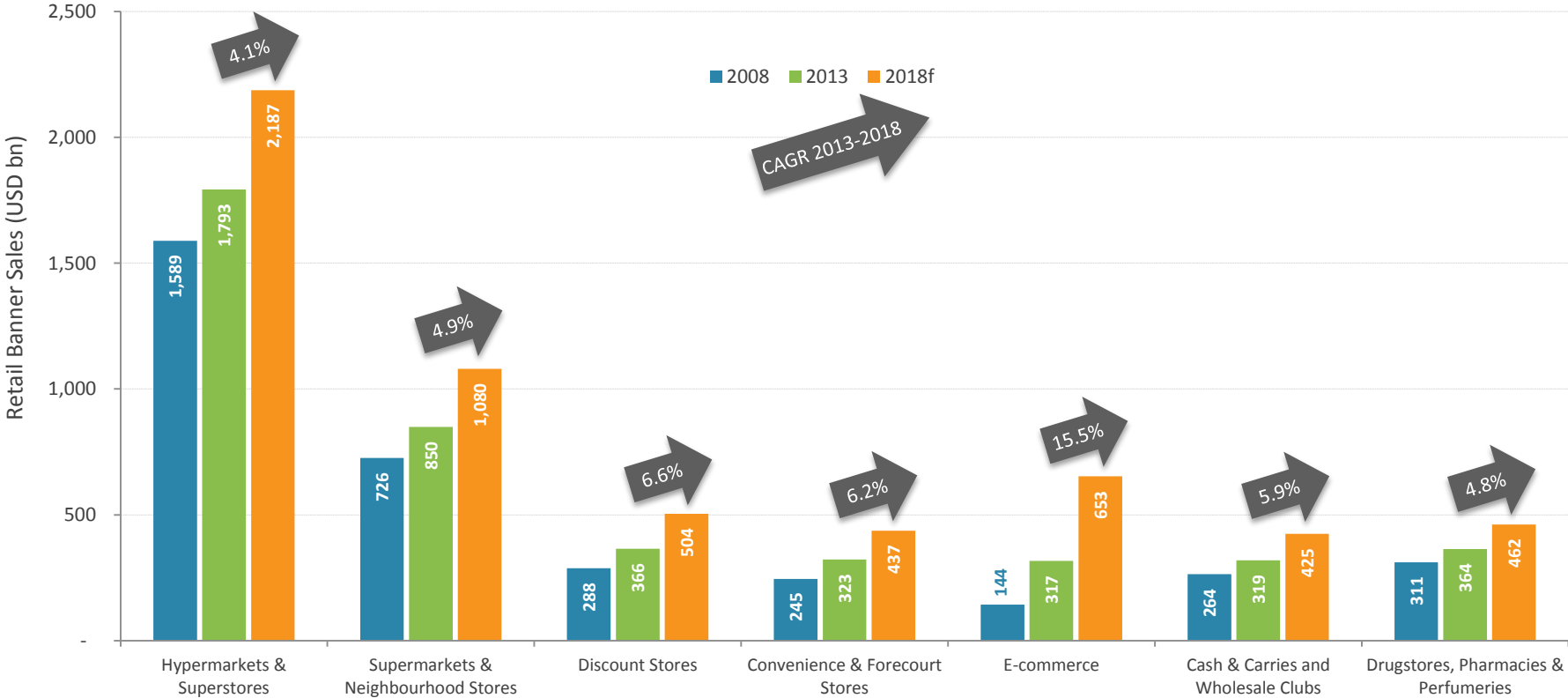
Planet Retail serves...



# 2. Global Overview

Convenience stores and discount stores will be the fastest growing offline channels in the next five years.

Global: Channel Sizes by Sales, 2008-2018f (USD bn)



Note: CAGR calculated in USD. Data relates to retailers in the PR database only; f – forecast.  
Source: Planet Retail



# 3. Hypermarkets & Superstores

### 3. Hypermarkets & Superstores

Although hypermarkets are set to grow more rapidly in emerging markets there is still room for compact concepts in many advanced markets.

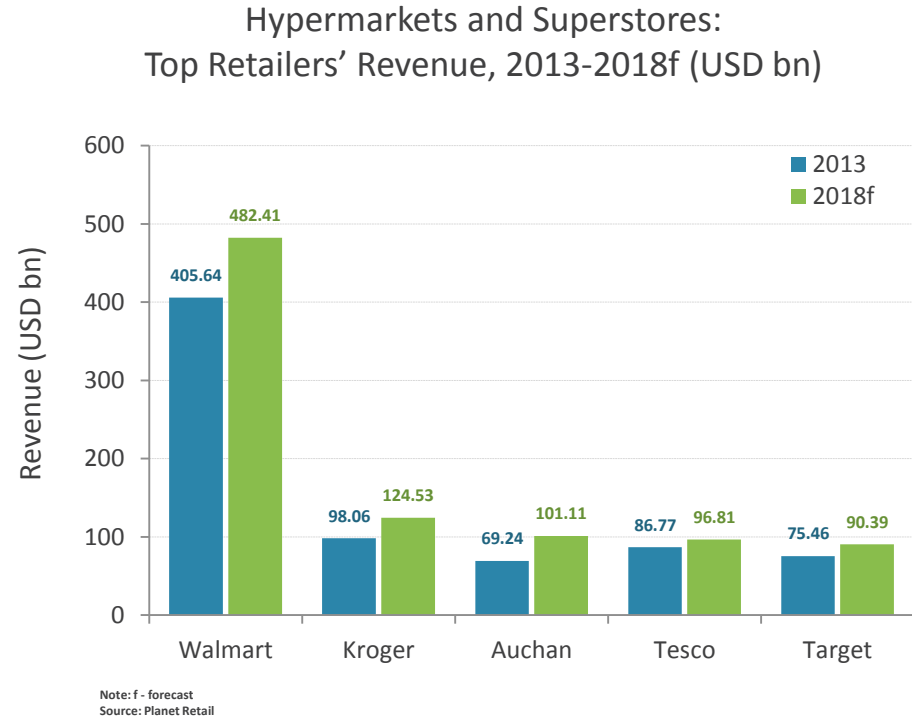
Hypermarkets & Superstores: Global Sales, 2008-2018f (USD bn)



CAGR 2013-2018

The growth will come from compact hypermarkets.

- Despite slowing expansion in some markets, hypermarkets will remain by far the world's biggest grocery channel.
- Trend to downsize and/or open more compact formats (3,000 – 5,000 sq m).
- Multi-channel and e-commerce (instore kiosk, Click & Collect and Drive) are key parts of both Tesco's and Auchan's strategy.
- In Western European markets, Tesco and Carrefour are aiming to increase dwell time within stores with additional facilities and entertainment features.



### 3. Hypermarkets & Superstores

“Big box” is not dead but the store concept needs fundamental revision.



CASINO in France.



WALMART in USA.



TESCO in the UK.



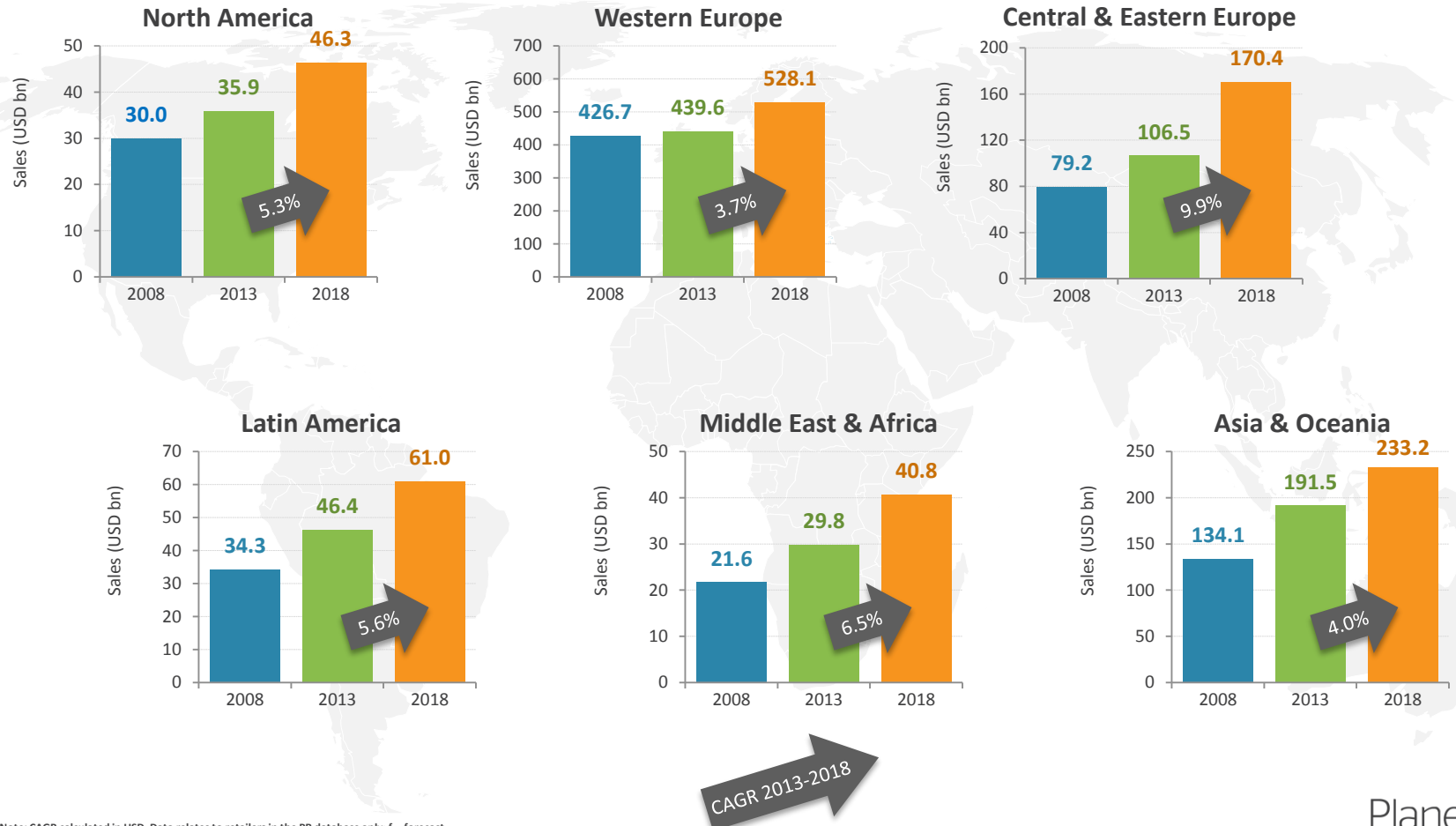
CARREFOUR in Spain.

# 4. Supermarkets & Neighbourhood Stores

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The pace of new supermarket and neighbourhood store openings is slowing down while revenue growth will come from emerging markets.

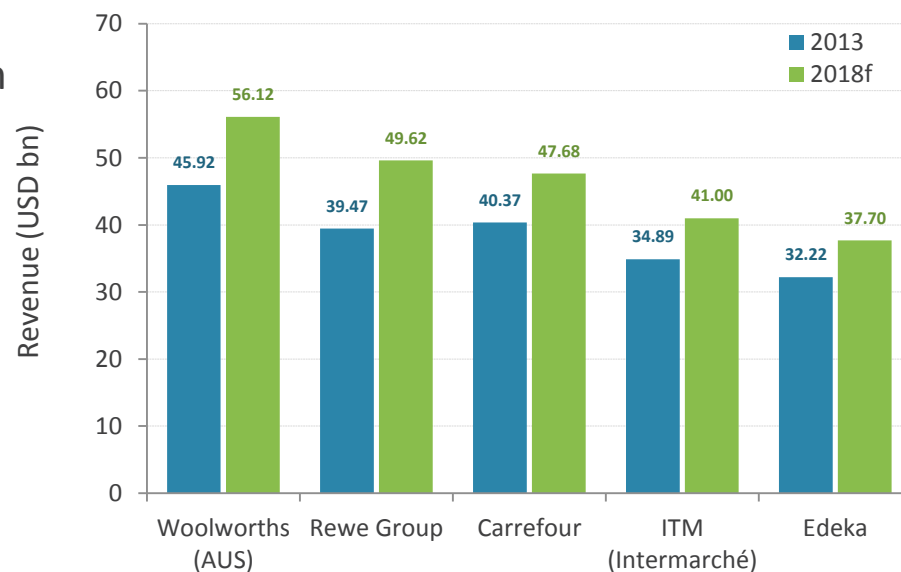
Supermarkets & Neighbourhood Stores: Global Sales, 2008-2018f (USD bn)



Woolworths (AUS) and Rewe Group are looking for new store concepts.

- The channel growth will be squeezed by discounters aiming to become one-stop shopping destination and the fast-growing convenience store channel.
- Woolworths (AUS), will invest in differentiation of its supermarkets, particularly from Aldi, introducing sushi, deli, freshly cooked offerings, instore cafés to stores in affluent catchment areas, as well as rolling out Click & Collect services.
- Rewe Group is experimenting with the diversification of its store network at home (Rewe) and abroad (Billa), trialling smaller convenience-orientated formats and forecourt stores as well as larger superstores.
- The development of supermarkets is not on the agenda for ITM (Intermarché) while Carrefour is refurbishing them.

Supermarkets & Neighbourhood Stores:  
Top Retailers' Revenue, 2013-2018f (USD bn)



Note: f - forecast  
Source: Planet Retail



# 4. Supermarkets & Neighbourhood Stores

Supermarket retailers in consolidated markets have to become food specialist.



MADE BY REWE in Germany.



X5 RETAIL GROUP in Russia.



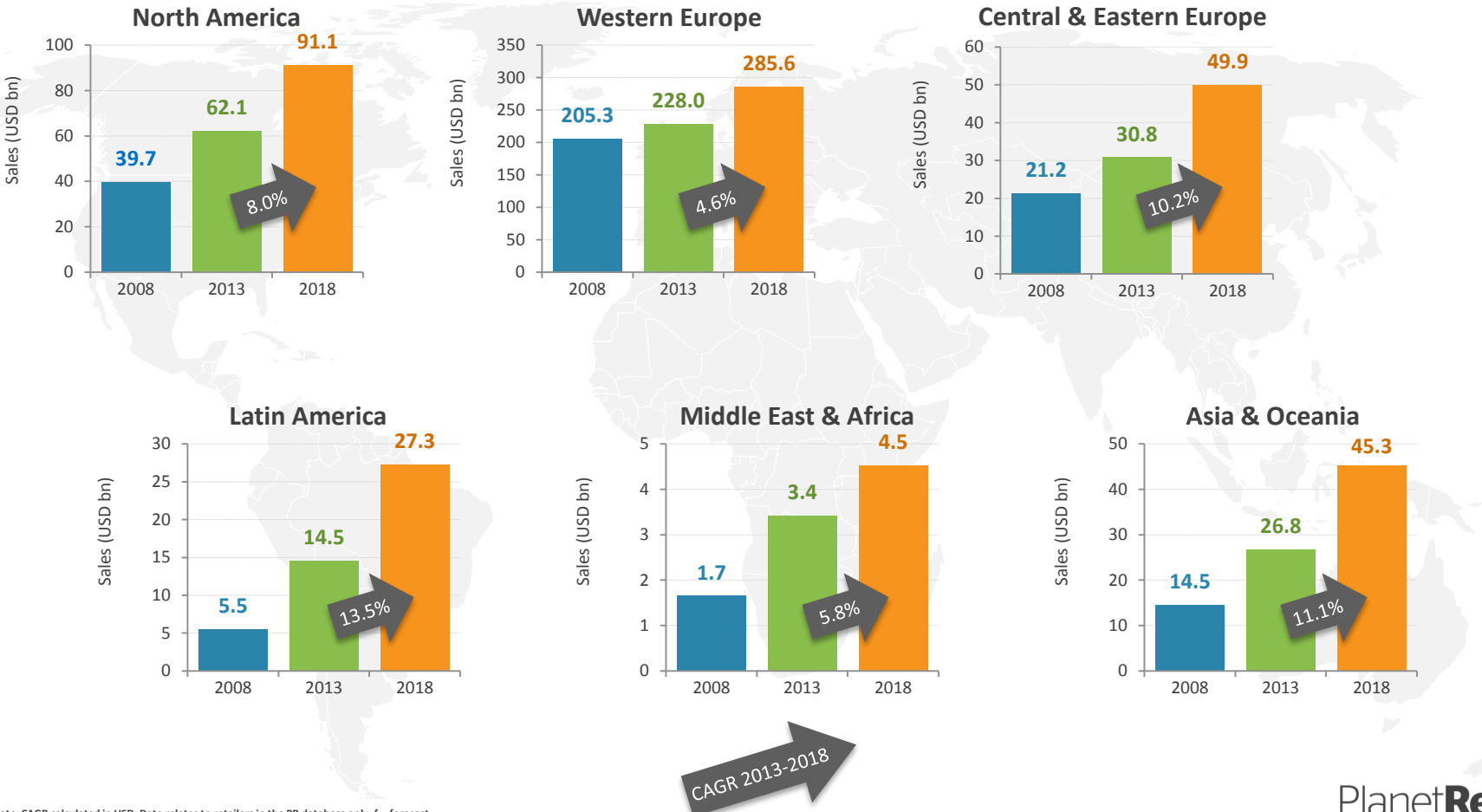


# 5. Discount Stores

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Limited assortment grocery stores remain a largely European phenomenon, but are showing significant growth rates in all regions.

Discount Stores: Global Sales, 2008-2018f (USD bn)



CAGR 2013-2018

Aldi and Schwarz Group remain by far the largest discount store operators.

- Brand listings have recently given Aldi Nord and Süd lasting tailwind in sales, meaning that it will keep its globally leading position over the next five years.
- Schwarz Group's Lidl is assessing a potential US market entry, which would provide endless growth opportunities as expansion is close to a saturation in many European markets.
- Dollar General, the only 'dollar store' among the Top 5, keeps aggressively growing its store base - opening an average of nearly two stores a day. It is solidly positioned as a convenient easy-to-shop low-priced alternative to big-box retailers in the USA.



Note: f - forecast  
Source: Planet Retail

# 5. Discount Stores

Discount store channel will be blurring with the convenience channel.



DOLLAR GENERAL in USA.



SCHWARZ GROUP'S LIDL in the Czech Republic.



DIA'S MINI FRESH in Portugal.



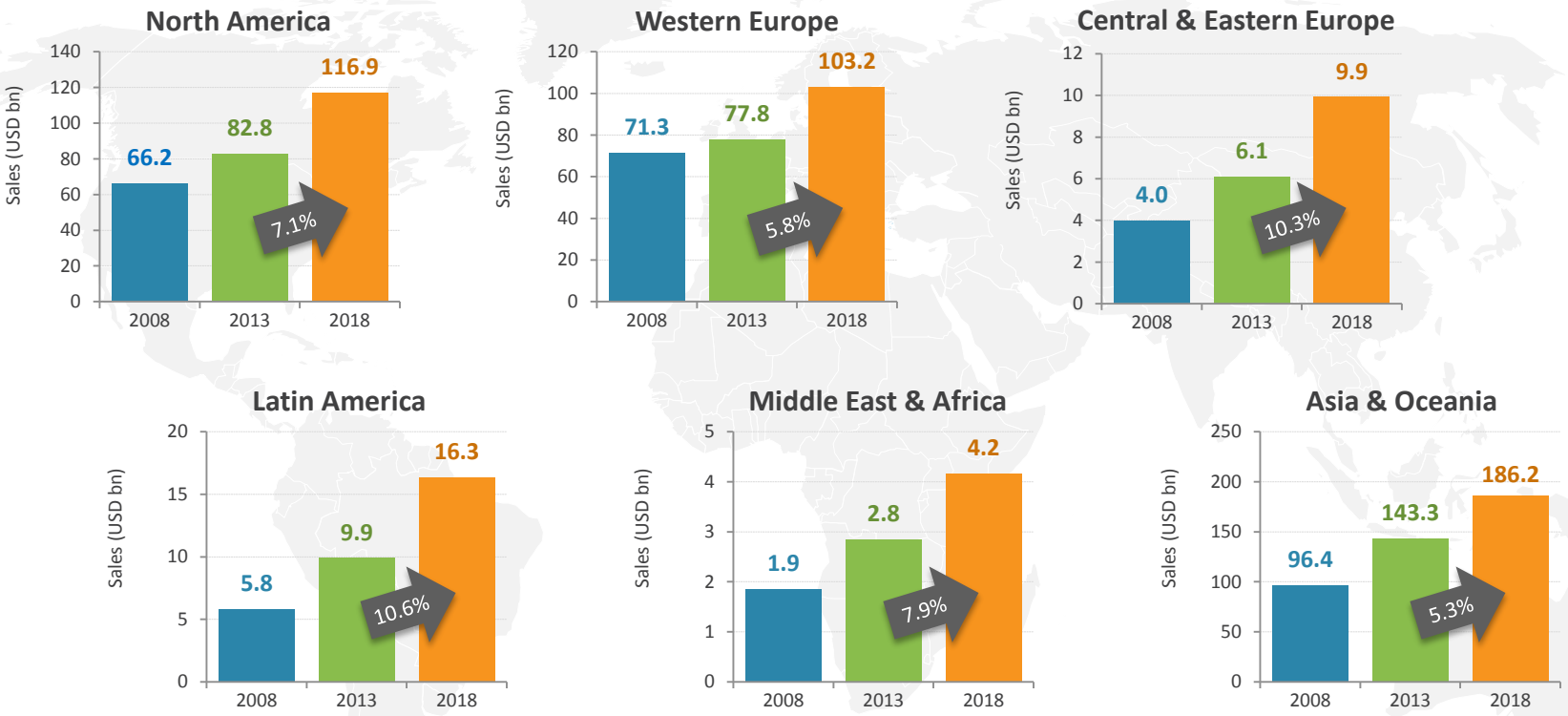
ALDI in the UK.

# 6. Convenience & Forecourt Stores

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Asia & Oceania is the largest convenience store market but CEE and Latin America also hold great potential. However, the increasing density of convenience stores will be a threat for forecourt stores.

Convenience & Forecourt Stores: Global Sales, 2008-2018f (USD bn)



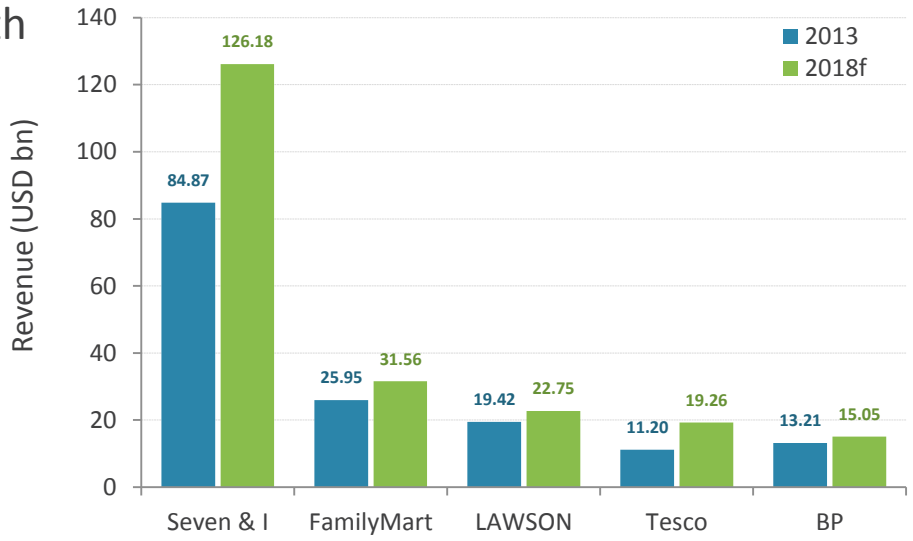
CAGR 2013-2018

## 6. Convenience & Forecourt Stores

As convenience goes hand-in-hand with e-commerce, retailers will need to invest more.

- Japanese retailers head the global convenience store sector, while Seven & I and Tesco will be the fastest growing among the top players.
- Seven & I has aggressive investment plans for USA, Canada and South-East Asia, along with investment in e-commerce.
- Tesco is to invest in Tesco Express in its home market as well as in promising Asian markets like Thailand & South Korea.
- Both Seven & I and Tesco will be investing in multi-channel, introducing Click & Collect into its stores.
- Retailers' trials to operate convenience stores at petrol stations tend to fail in Europe (Carrefour - BP in Spain; Edeka - Shell in Germany).

Convenience & Forecourt Stores:  
Top Retailers' Revenue, 2013-2018f (USD bn)



Note: f - forecast  
Source: Planet Retail



# 6. Convenience & Forecourt Stores

Learn from Seven & I (7-Eleven) how to operate a convenience stores.



SEVEN & I in USA.



TESCO in Thailand.



LAWSON in China.



TESCO in the UK.

© Tesco



# 7. Grocery E-commerce

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E-commerce (food and non-food) in Asia will outperform Western Europe, although grocery e-commerce will be only a fraction of it.

Grocery E-commerce: Global Sales, 2008-2018f (USD bn)



### Walmart's grocery e-commerce growth will come from China.

- Walmart was slow to embrace e-commerce generally. Grocery e-commerce has only been introduced to the UK, Japan, Argentina, Chile and China.
- China accounted for 47% of its grocery e-commerce revenues in 2013. Walmart's yihaodian.com is going to expand its fresh grocery products in 2014.
- Tesco has introduced grocery e-commerce in all its European and Asian grocery markets except China.
- Tesco's Click & Collect collection points in the UK are being expanded to Tesco Express stores, schools, libraries, sports centres and some London Tube stations.
- Amazon may expand its groceries in some of its major foreign markets like Germany.

Grocery E-commerce:  
Top Retailers' Revenue, 2013-2018f (USD bn)



Note: f - forecast  
Source: Planet Retail

# 7. Grocery E-commerce



TESCO in the Czech Republic.

AHOLD in USA.



WAITROSE in the UK.

AUCHAN in France.

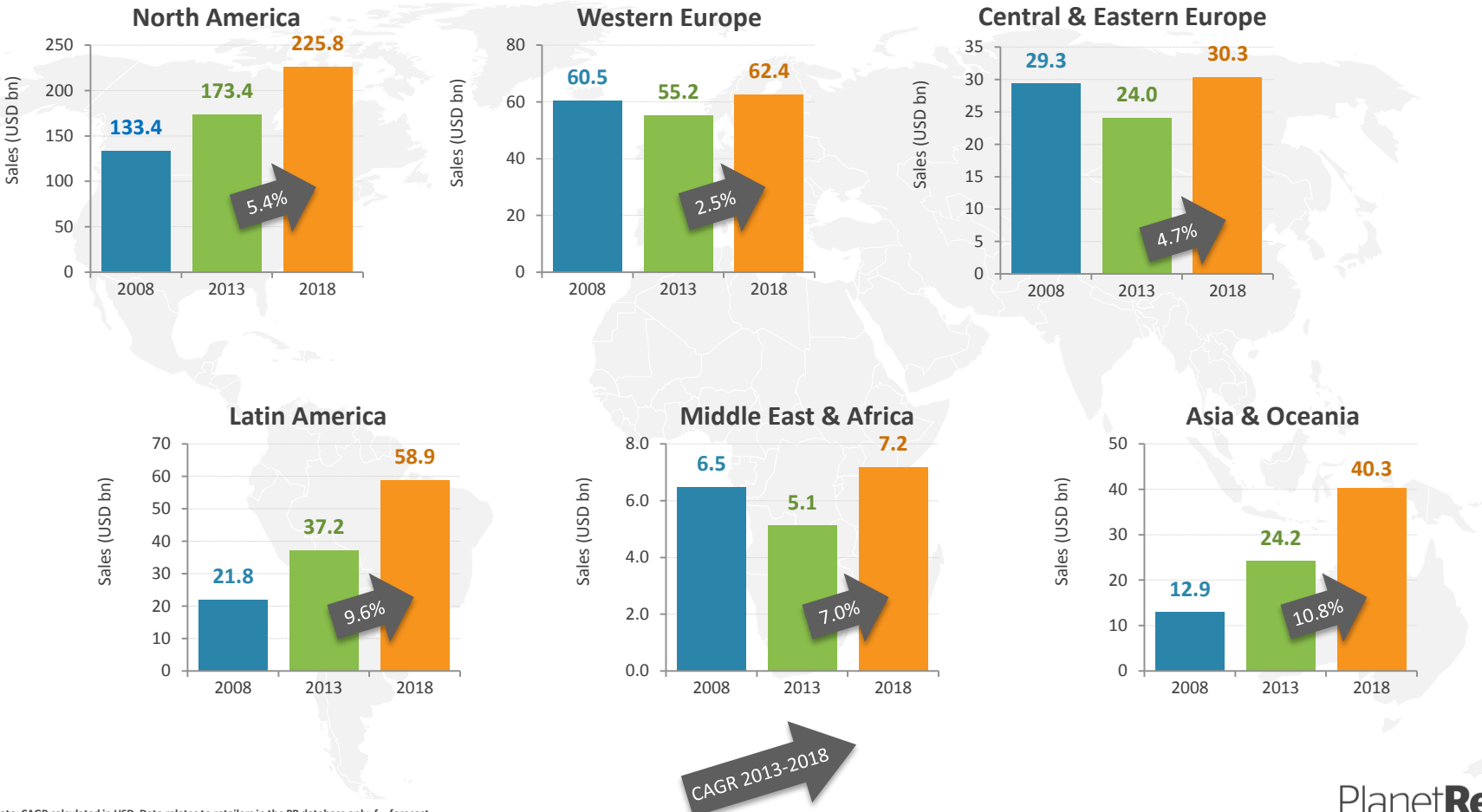


# 8. Cash & Carry and Wholesale Clubs

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The size of the cash & carry and wholesale clubs market in Latin America will reach that of Western Europe by 2020.

Cash & Carry and Wholesale Clubs: Global Sales, 2008-2018f (USD bn)

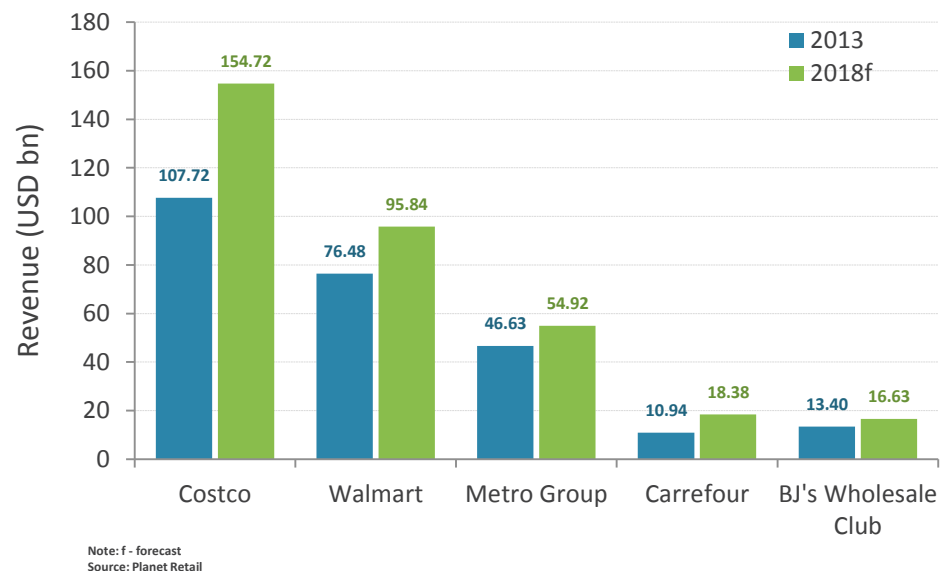


## 8. Cash & Carry and Wholesale Clubs

Costco will widen its gap on Walmart, while Metro Group fights for its position in Europe.

- Japan, South Korea and Australia remain Costco's hotspots, while market entry to Europe is planned for both Spain and France in 2014.
- Costco has been outperforming Walmart in USA in terms of LFL sales since 2011.
- Walmart's annual capital expenditure in Sam's Club is around USD1 billion - less than a half of Costco's.
- Metro Group is looking for new cash & carry concepts suitable for its various markets. International expansion will be focused on China, Russia and Turkey.

Cash & Carry and Wholesale Clubs:  
Top Retailers' Revenue, 2013-2018f (USD bn)





# 8. Cash & Carry and Wholesale Clubs



METRO GROUP in Germany.

COSTCO in USA.



METRO CASH & CARRY in Romania.

COSTCO in USA.



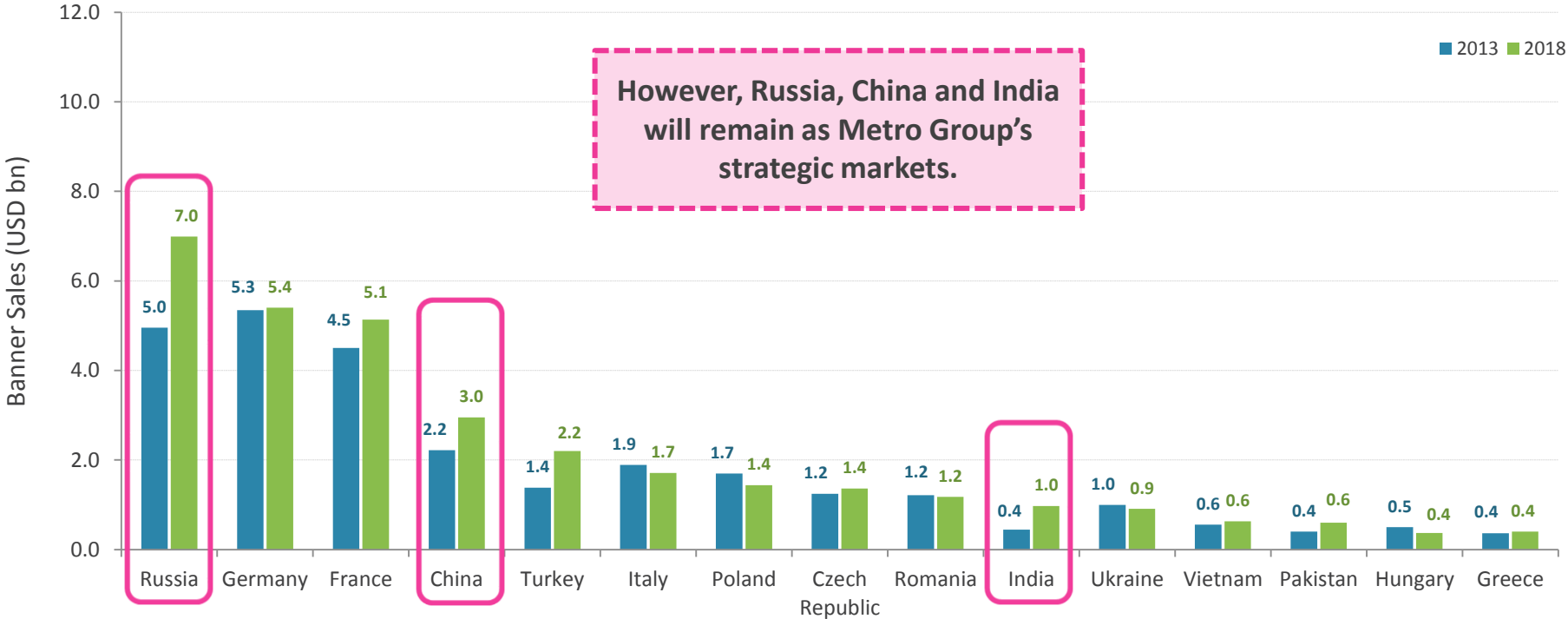


## 8. Cash & Carry and Wholesale Clubs – Metro Group

Metro Group’s restructuring of its businesses is continuing slowly with a negative impact on performance of its cash & carry arm.

Metro Cash & Carry may be looking to raise funding through divestment from some countries like Greece and Kazakhstan.

Metro Cash & Carry: Total Banner Sales by Market, 2013e-2018f (USD bn)



However, Russia, China and India will remain as Metro Group’s strategic markets.

Note: e – estimate; f – forecast; fluctuations partly due to currency effects and divestments  
 Source: Planet Retail

### Key strategic initiatives of Metro Cash & Carry to revive its business.

#### Key Strategic Initiatives of Metro Cash & Carry

Metro Cash & Carry's Initiatives	Planet Retail's Take
Focus on small store formats	Good step. Metro tested small store formats in CEE and it is currently reviewing results. In some markets, such as Croatia and Poland, Metro may not continue developing this concept due to strong competition of local players.
Expansion of franchising	Although Metro C&C has short experience with franchising, it is progressing well. It has got around 1,200 franchised outlets in Bulgaria and around 600 outlets in Romania. It will be key to maintaining loyalty of franchisees.
Competitive pricing	Cost cutting is only one way. Metro will have to give up on its superior attitude towards suppliers and start to co-operate with them closely.
Customer relationship management and field service	Increased number of customer managers helps improve customers service, but could turn out to be too costly.
Focus on foodservice at the expense of non-food	Metro has correctly re-focused on food product ranges, listing only non-food products which complement their food product ranges.
Expansion of delivery services	This services offers opportunities for independent retailers but it is suitable for foodservice clients.
Management re-shuffle	On-going re-shuffle and job cuts create insecurity among employees.
Market exit	In contrast to other global players, Metro is slow making decisions on markets to exit which enables it to focus on key markets. However, it may be difficult to find one buyer for the entire network in a country.

# 9. Asia

Asia-Pacific economies will be among the world’s fastest-growing during the outlook period, despite a slowdown in the Chinese economy.

Hypermarkets and convenience stores will continue to dominate the modern retail scene in the region, but retailers will push into new formats such as club stores and drugstores in search of growth.

Top 3 Growth Markets  
(2013-2018f Grocery Sales CAGR)

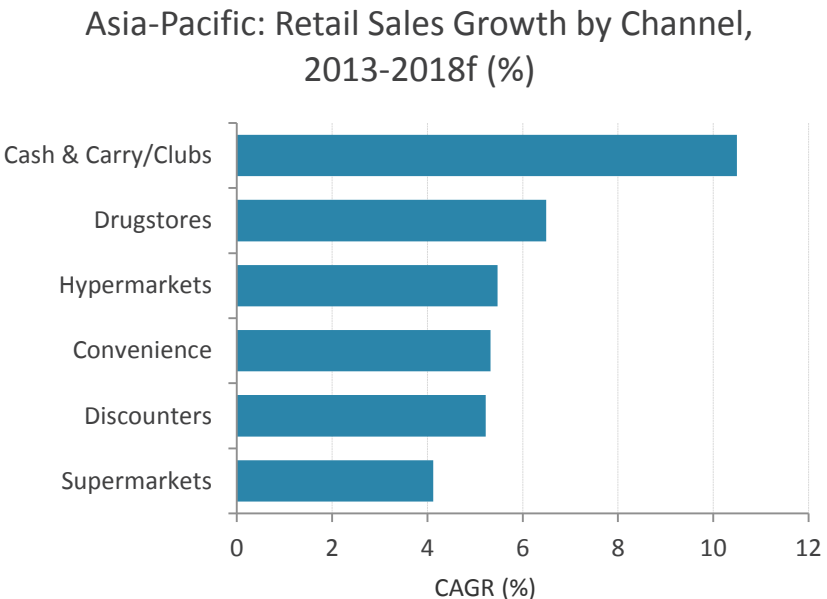


**10.5%**  
Warehouse club growth, particularly in China, Korea & Australia, in next 5 years

**4,300**  
new Seven & I, Lawson & FamilyMart c-stores outside Japan by 2018,

**Top 10**  
China Resources Enterprise (CRE) to break into APAC retailer Top 10, if Tesco deal goes through

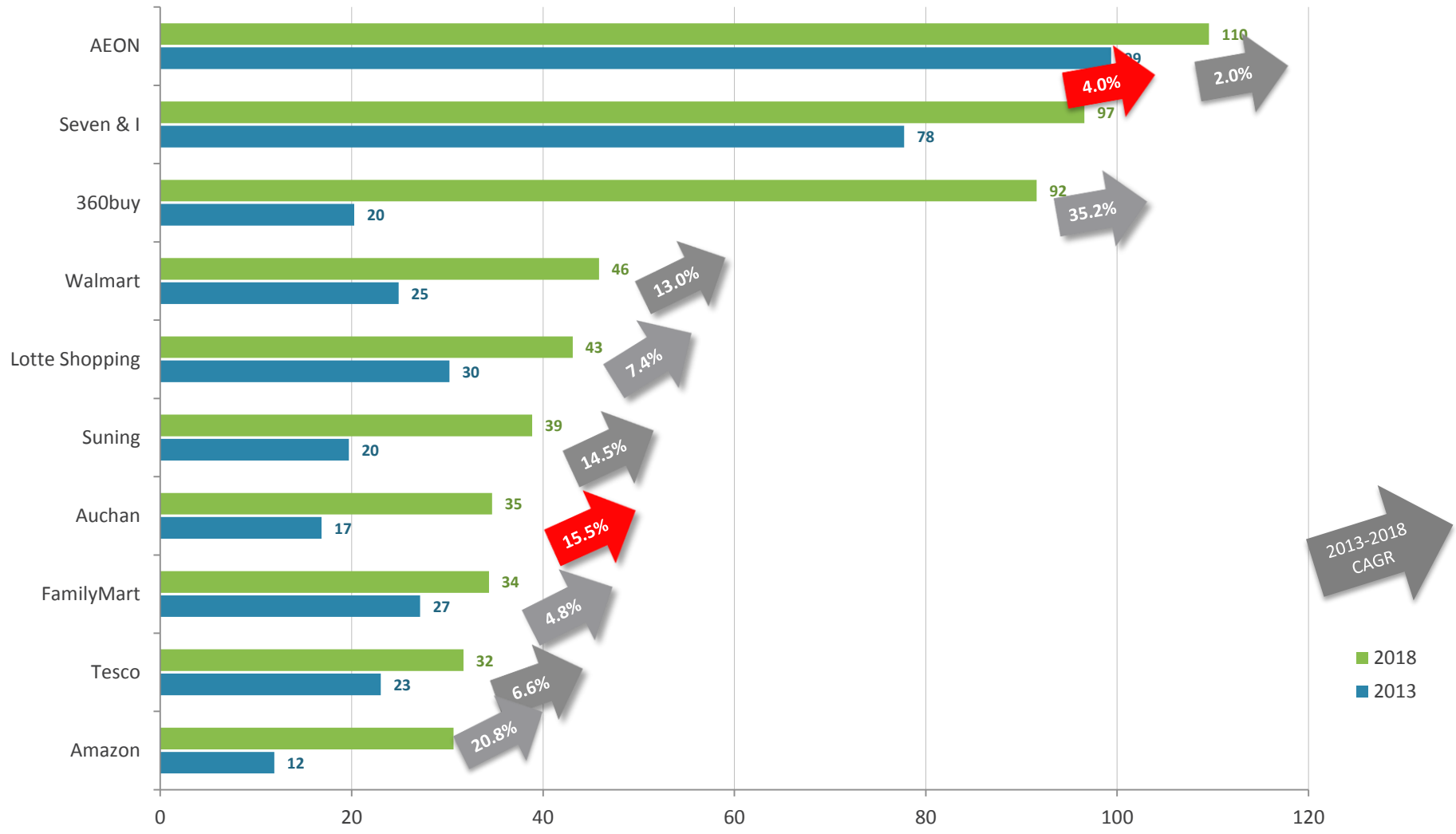
Top 3 Retailers by Banner Sales, 2018f



Note: f – forecast ; Data represents aggregate figures for the retailers covered in Planet Retail’s database  
Source: Planet Retail

# Japanese retailers to dominate in Asia, while Western players???

Asia: Top 10 Retailers, Revenue, 2013e-2018f (USD bn)



Note: e – estimate, f – forecast.

### TOP 5 Trends in Asia

#### 1. Asian retailers' invasion, Western players cautious

- South-East Asia than on China.
- More government regulations to protect traditional retail.

#### 2. Multi-format is king

- Big box.
- Convenience stores.
- Premium supermarkets.

#### 3. E-commerce

- Massive drop in revenues in non-food product categories.
- Investment into m-commerce.

#### 4. Silver segment testing ground

- More health and fresh foods in smaller formats, with proximity key; more delivery services.

#### 5. Private Label proliferation

- Private labels are slowly gaining consumer acceptance.

# 10. Executive Summary

Store proximity and convenience drives the growth.

- Convenience and discount stores will be the fastest-growing offline channels in the next five years.
- New store openings will be driven by small store formats, while growth of store openings will accelerate in the cash & carry and wholesale club channel.
- Expansion in Asia driven by local players like Seven&I and Family Mart, while global players like Walmart, Tesco and Auchan will select cautiously markets to invest in.

**6.2%**

Growth rate of  
convenience & forecourt  
stores in next 5 years (CAGR)

**6.6%**

Growth rate of  
discount stores in  
next 5 years (CAGR)

**5.5%**

growth rate of  
hypermarkets and  
superstores **ASIA &  
PACIFIC**  
(CAGR 2013-2018)





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Miloš Ryba is the Research Director at Planet Retail's London office, leading its emerging markets team. He has been analysing retail sector in emerging markets for a decade. His keen knowledge and expertise lie within EuroAsia and global players like Walmart, Carrefour and Tesco.

Miloš regularly presents at leading conferences in Europe, Middle East and Asia and contributes to media on various retail topics. Prior to joining Planet Retail, Miloš worked at Frost & Sullivan. He holds a Master's Degree in finance and management from the Mendel University in Brno, Czech Republic, and has also studied at the University of Mannheim in Germany.



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