

GLOBAL RETAIL TRENDS AND THE OPPORTUNITIES



Even though the outlook is mixed for Spain, UK and France in the short-term Spain offers some 'opportunistic' bargains since it is seen to have hit the bottom, However, the outlook is to proceed with caution for India, Russia and Brazil due to structural issues which make these markets, despite their incredible potential not as favourable as a whole to incoming Retailers for the short to medium term.

Global trends

Regardless of specific market opportunities, clear global retail trends are emerging as a result of customers demanding more for their money in these tough and variable economic times and widespread use of the internet. There are five clear trends including increased use of small formats and higher sales densities ('one size does not fit all'), greater customer engagement, multi-channel shopping, brand innovation, and market polarisation.

International retailers need innovative ways to respond to these five trends that allow the flexibility to suit different markets with some clear examples of success from the International Retailing community (see table below).

At the Russian Retail Conference held earlier in the year, Catherine Tobiasinsky presented her views on how the recovery of the global economy offers significant but differing opportunities for retailers wanting to internationalise their business. In particular China, Germany and Poland are Retail 'hot spots' for reasons not only of stronger performing economies (for example Poland was the only European market not to go into recession) but clear consumer trends that are driving retail growth. For example returning Poles have brought their international Retail tastes back home with them, China's highest percentage of wealth is in the youth market and Germans distinctly prefer inner city shopping rather than out of town locations.

Global Retail Trend	One size does not fit all	Brand Innovation	Customer engagement	Market segregation	Multi-channel shopping
Implications for retailers	Convenience Local demand Local regulation City Centre	Differentiation from competitors Products to Services	Value based engagement Meaning not money	Polarisation of the market between Value Location	Online Retail Growth rate predicted at 11% CAGR YOY Growth rate predicted at 11% CAGR YOY
How retailers are responding	Range of retailing formats E.g. Tesco	Quality and service New Retailers E.g. Apple	Loyalty cards Green Revolution E.g. X5	Own-brand luxury and/or value ranges E.g. Outlet Centres	On-line shopping Home delivery Return to store Click and collect

European retailers beating the market

Another of the most notable trends emerging, if the rankings of top retailers are examined across all markets, is that European originated retailers are out-performing other retailers, and are rising up the rankings (see table below).

Rank 2009	Rank 2008	Company	Country of Origin	No of Markets	Market Capitalisation (£ million) Mar 2010
1	1	Walmart Stores Inc	US	14	139,385
2	2	Carrefour S.A.	France	33	21,940
3	4	Tesco plc	UK	13	34,811
4	4	Metro AG	Germany	32	12,279
5	3	The Home Depot Inc	US	7	36,179
6	6	The Kroger Co.	US	1	9,543
7	10	Schwarz Unternehmens Treuhand KG	Germany	24	-
8	7	Target Corp.	US	1	27,607
9	8	Costco Wholesale Corp.	US	8	17,631
10	11	Aldi GmbH & Co. oHG	Germany	15	-

Traditionally half of the top 10 global retailers originate in the US, having relied upon the large US market to fuel their growth. These retailers are now losing their rankings as European retailers expand into new markets across the globe.

In 2007 retailers operating internationally have consistently made a 4% net margin return compared to a composite net margin of 2.7% among those retailers who stayed at home.

One such European example is Tesco which has evolved from a single format UK retailer to a successful multi-format retailer operating across the world. Their de-centralised approach provides the flexibility to easily integrate into local markets, enable a rapid roll-out of stores and retain brand control. By enabling local management Tesco are able to understand local consumer demands and adapt their offering to reflect local trends.

In addition, Tesco have also predicted or responded to five key global trends, developing a multi-formats with clear customer propositions with Tesco Finest and Discounter offers, developing the brand into other services such as financial services and mobile telephones, championing multi-channel shopping in Tesco Direct as well as market-leading brand loyalty programmes in Tesco Clubcard to deliver what customers want.

In summary

To be successful in today’s unsettling market retailers obviously need to be tuned not only into the economic trends but also clear consumer and retailer trends. Businesses that can take advantage of all three are best positioned to succeed.

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