

Western retailers in Asia

September 2013

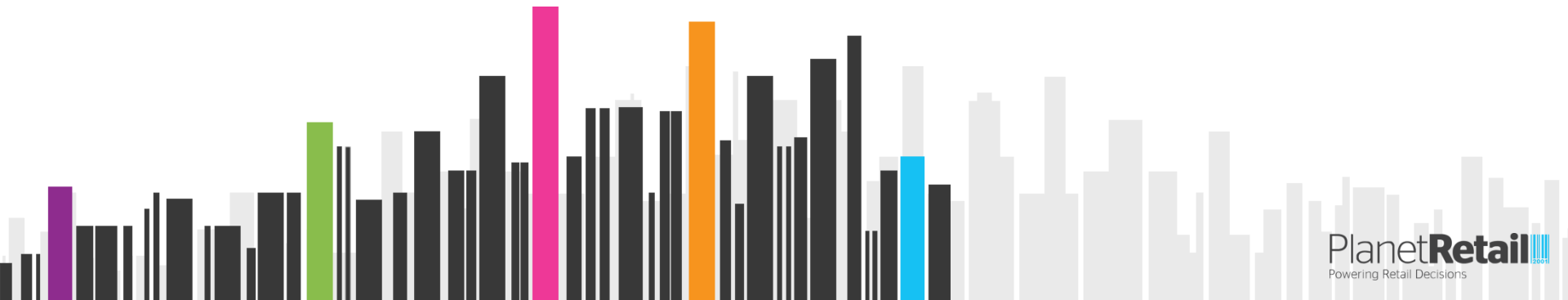
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1. Global channel development



Hypermarkets & superstores remain the largest channel. However, all other channels outpace it in terms of the five-year CAGR.

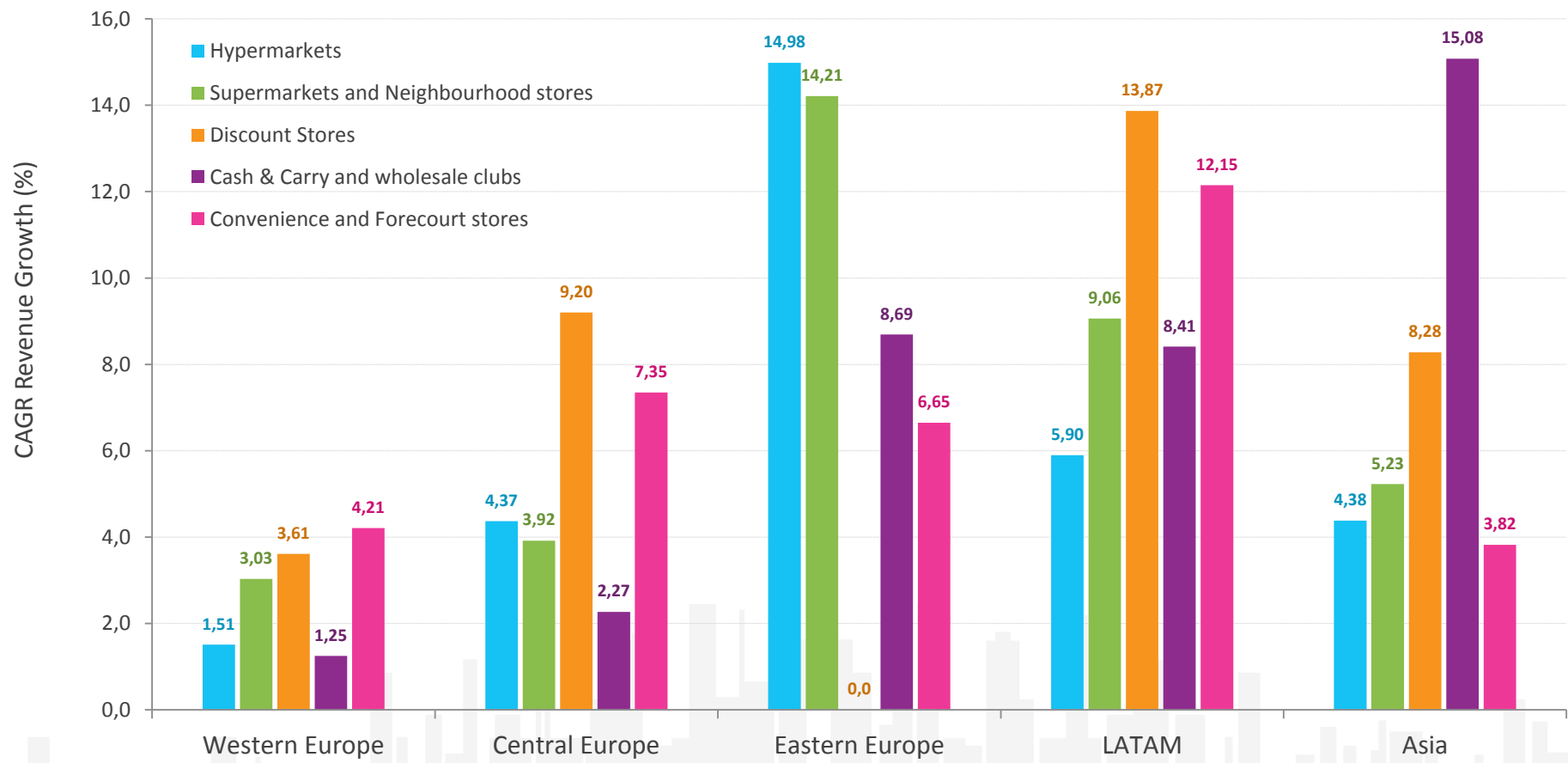
Global: Channel Sizes by Sales, 2007-2017f (USD bn)



Online* - Planet Retail's coverage of Grocery and Health & Beauty e-commerce sales.
Source: Planet Retail.

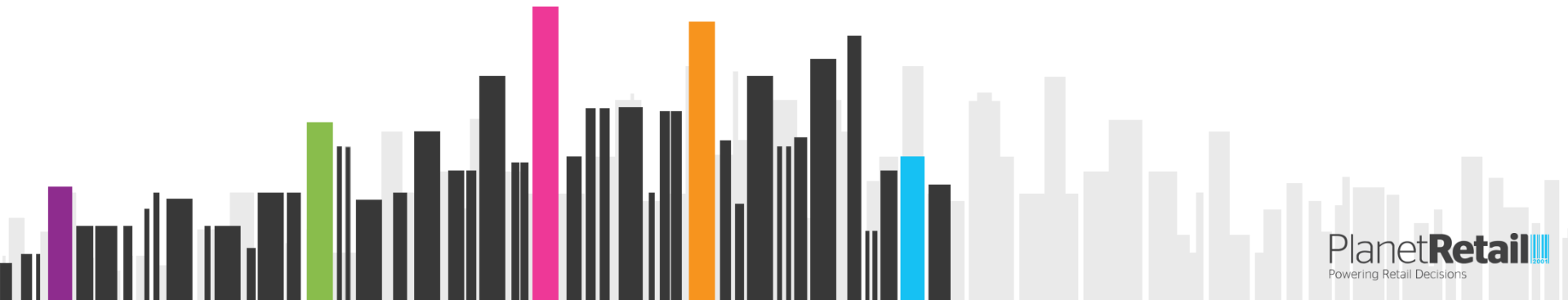
Strong channel growth in Eastern Europe in contrast to the mature markets of Western Europe.

Western Europe, Central Europe, Eastern Europe: CAGR Channel Revenue Growth, 2012-2017 (%)



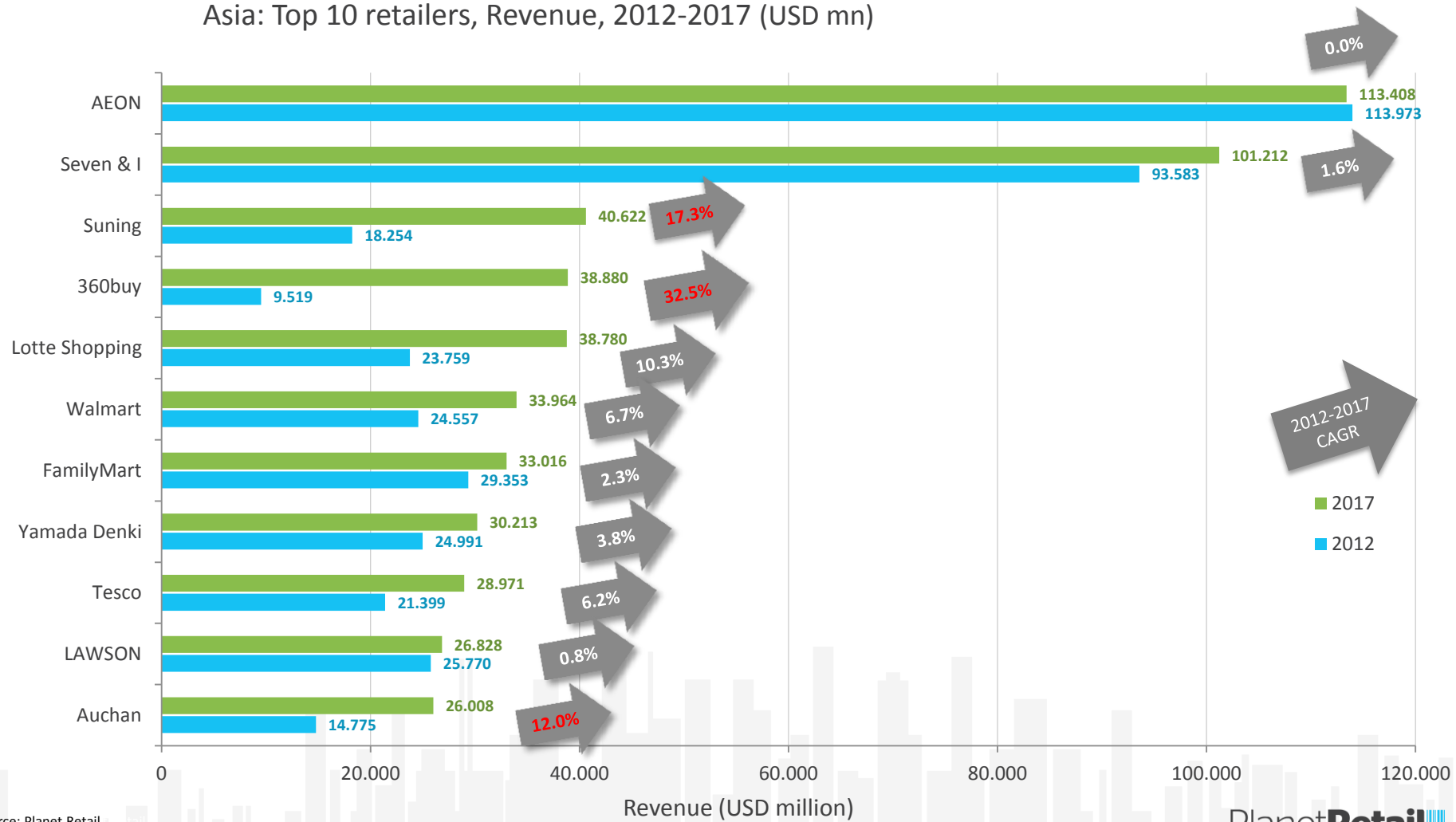
Source: Planet Retail

2. Global grocers in Asia



Auchan set to be the fastest growing foreign retailer in Asia.

Asia: Top 10 retailers, Revenue, 2012-2017 (USD mn)



Source: Planet Retail.

2.1. Walmart

Walmart holds a leading position in key markets, with the exception of Japan and India.



Walmart has been the largest retailer in the US since the early '90s.



Despite current issues, Mexico is a key market for Walmart.

Walmart: Market Position by Country (2012)



Walmart is unlikely to ever reach #1 in some markets (e.g. UK), although there is plenty of room for growth in Latam.

Based on total sales, 2011, includes non-grocery operations (e.g. Massbuild in SA) but excludes purely non-grocery operators (i.e. GOME and Suning in China). Excludes minor operations in small countries in Central America and Africa. Walmart is a leading retailer in most of these markets.
Source: Planet Retail

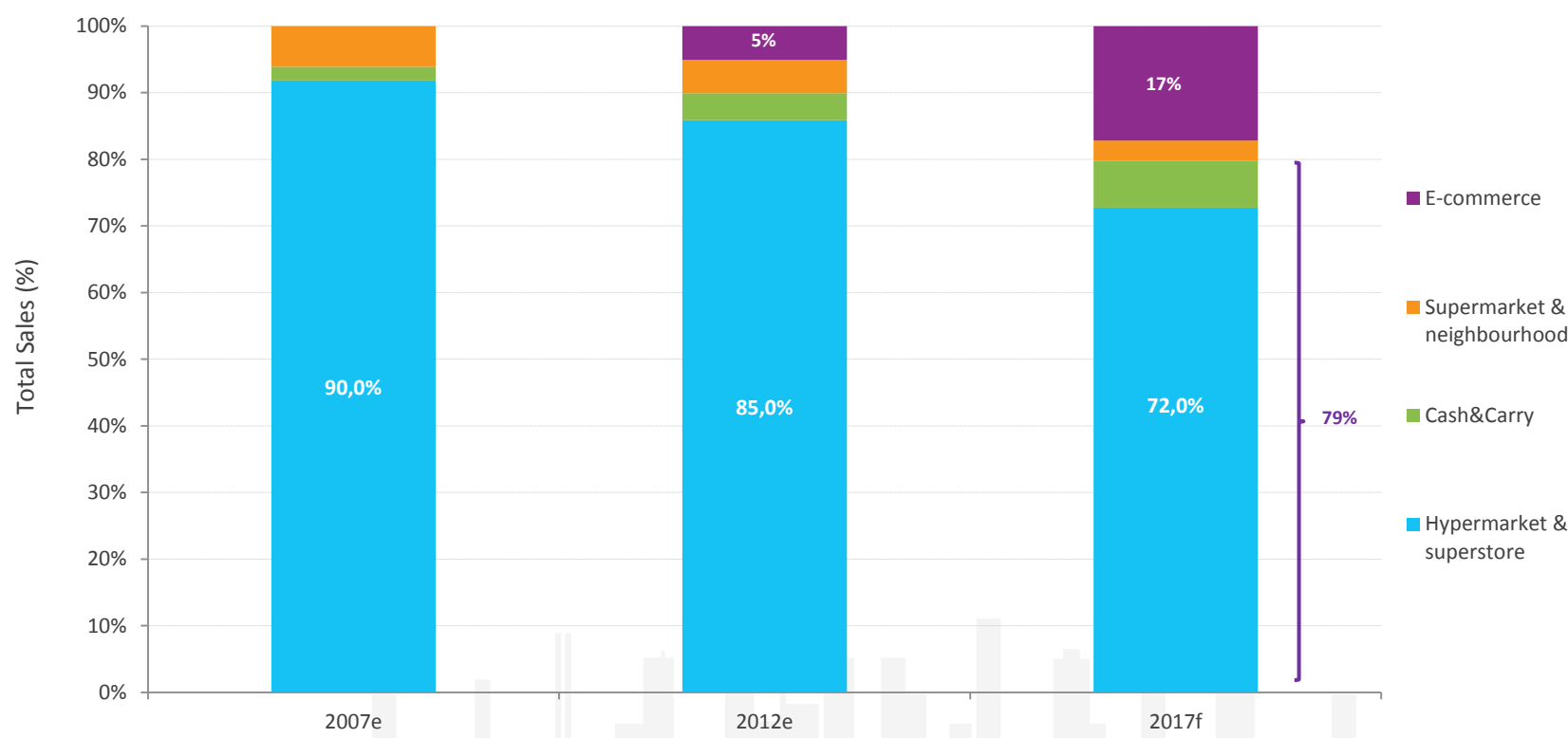
In Asia, Walmart to invest in China and India only.

- Asia is not a key region for Walmart, however, **China** is a core market.
 - ▶ E-commerce; Yihaodian.
 - ▶ Potential bidder for AS Watson's Hong Kong-based PARKnSHOP supermarkets.
- Walmart to decide on **India** soon.
 - ▶ Walmart likely to remain committed, but further expansion is unrealistic before 2015.
- Fashion store George in **Singapore**.
- EDLP push.



Walmart’s e-commerce channel will grow rapidly in its Asian operations. Large store formats will still account for 80% of its revenues by 2017.

Walmart in Asia: Sales by Channel, 2007e-2017f (%)



Note: 'Other' includes department, fashion & accessories, cash & carries, discount, home garden auto stores, wholesale and full service restaurants; Calculated using GBP; <2,500 square metres includes supermarket & neighbourhood and convenience and forecourt; e – estimate; f – forecast.
Source: Planet Retail

Tesco maintains a market leading position in the majority of countries in which it operates.



According to Planet Retail forecasts, South Korea will remain Tesco's largest international market until 2018 when it will be overtaken by Tesco Lotus in Thailand.



Thailand is already Tesco's second-largest international market, having surpassed Ireland.

Tesco: Market Position by Country, 2013



Tesco is among the top three grocery players in eight of its markets from Europe to Asia.

Based on total 2013 sales, excludes non-grocery operators.
Excludes US, China, Poland, Turkey, wholesale operations in India and clothing franchises in Saudi Arabia.
Rankings calculated in local currency
Source: Planet Retail

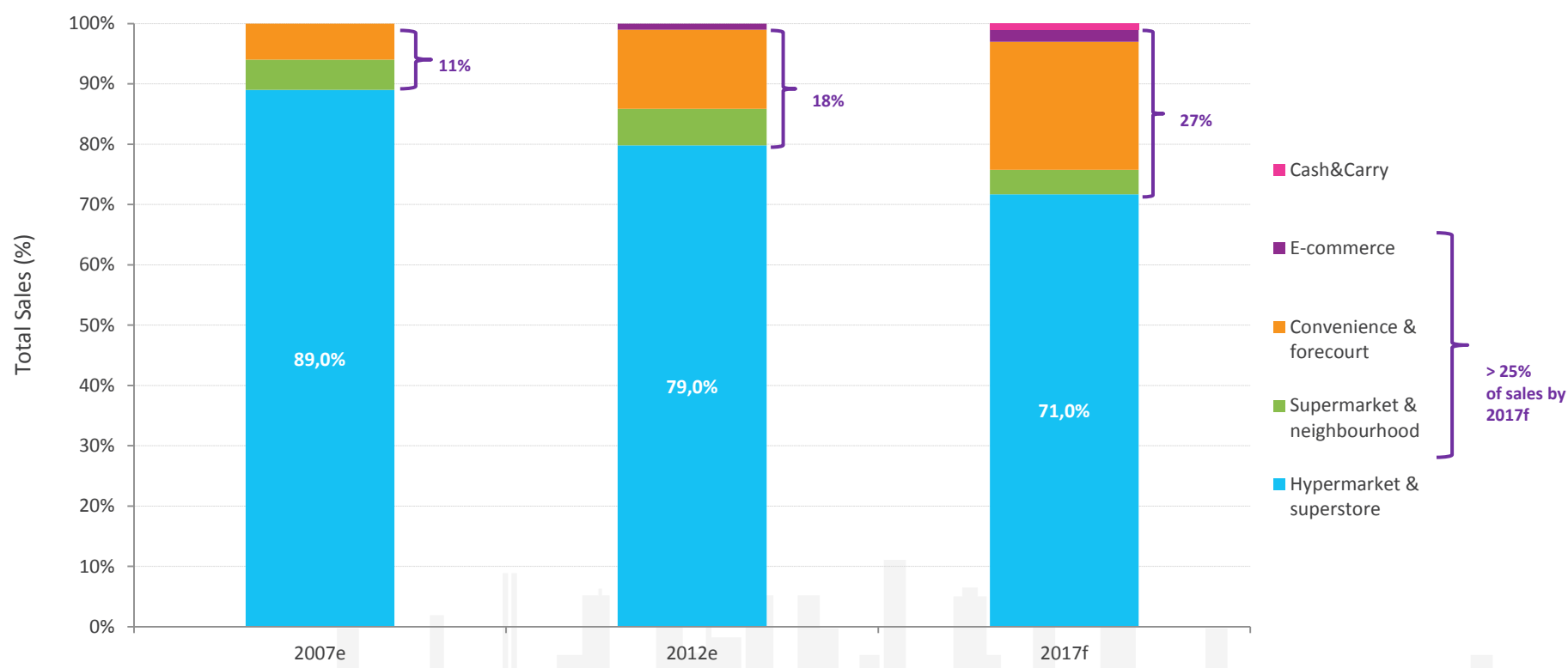
Expansion of hypermarkets is NOT Tesco's long-term goal.

- Tesco will allocate more funds into development of its small store formats as well as towards e-commerce.
- Expansion of F&F fashion stores and F&F pop-up stores likely.
- Conversion of large stores to Tesco Extra concept.
 - ▶ Expansion of non-food product ranges.
 - ▶ Introduction of retailing services like click & collect, dry cleaning and photographic.
- Shopping malls in emerging markets – a previous trial in China failed.
- New market entries are unlikely in the short term.



Smaller stores (less than 2,500 square metres or 27,000 square feet), e-commerce and services will account for more than 25% of sales by 2017.

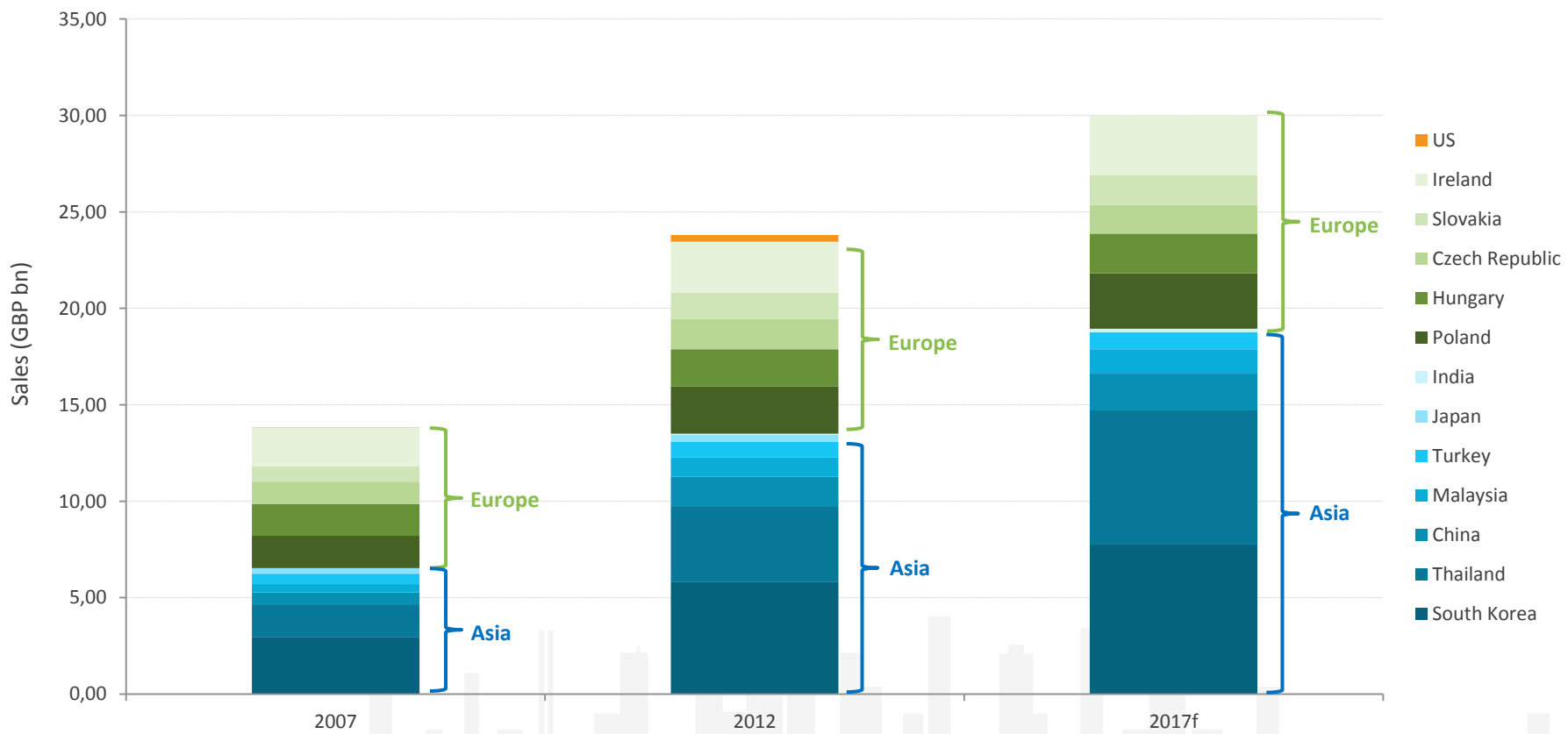
Tesco in Asia: Sales by Channel, 2007e-2017f (%)



Note: 'Other' includes department, fashion & accessories, cash & carries, discount, home garden auto stores, wholesale and full service restaurants; Calculated using GBP; <2,500 square metres includes supermarket & neighbourhood and convenience and forecourt; e – estimate; f – forecast.
Source: Planet Retail

Asia is set to become a GBP20 billion (USD30 billion) region by 2017 despite current headwinds.

Tesco: International Sales by Market, 2007-2017f (GBP bn)



Note: Europe excludes UK; Turkey included in Asia; Saudi Arabia excluded; f – forecast.
Source: Planet Retail

Auchan holds top positions in two of the world’s largest and fastest growing economies, China and Russia.

Auchan: Market Position by Country, 2013



Auchan’s solid third position in Russia enables the retailer to experiment with new concepts such as Radouga price-focused hypermarkets.



Auchan is seeing strong results in China at a time when global peers such as Walmart Tesco and Carrefour are suffering



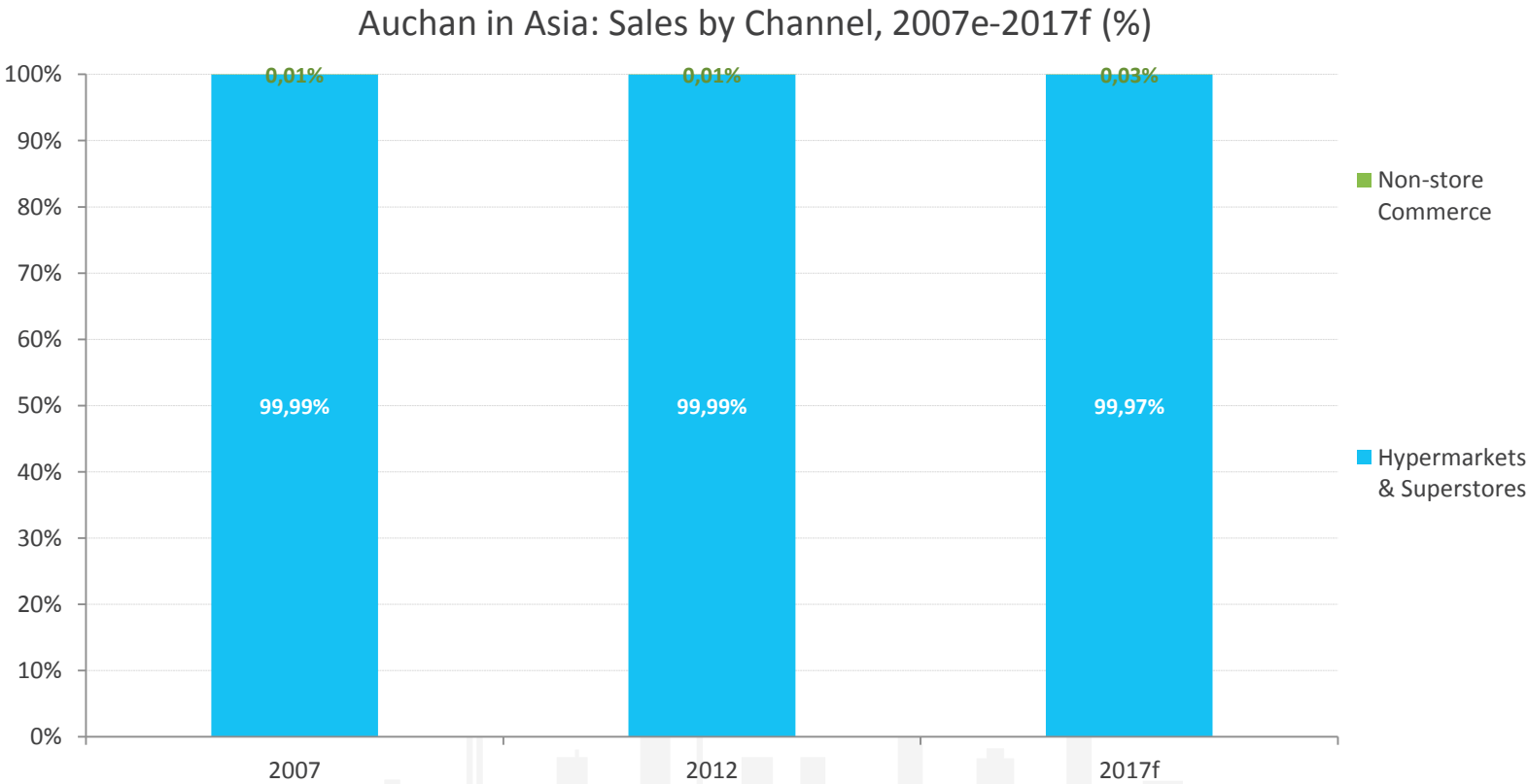
Despite Auchan’s marginal position by total sales in several of its markets, it is among the key players in the hypermarket channel in most countries.

Auchan tightens its grip on the East.

- China – in JV Sun Art Retail Group with Ruentex.
 - ▶ 117 RT-Mart stores under construction to be opened by 2015, mostly in tier 3 cities.
 - ▶ Launch of e-commerce: Uitox in Shanghai.
- India – franchising Landmark Group.
 - ▶ 12-15 openings a year.
- Vietnam - Auchan to invest USD500 million over the next 10 years.

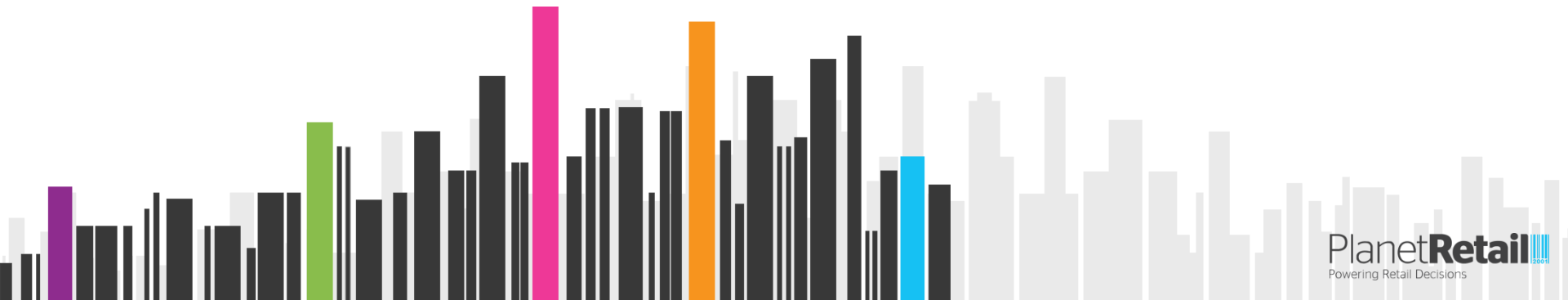


Auchan heavily relies on its core hypermarket format for expansion in Asia which remain widely untapped. However, the retailer is slowly introducing E-commerce in urban centres such as Shanghai.



Nota: f = forecast
Source: Planet Retail

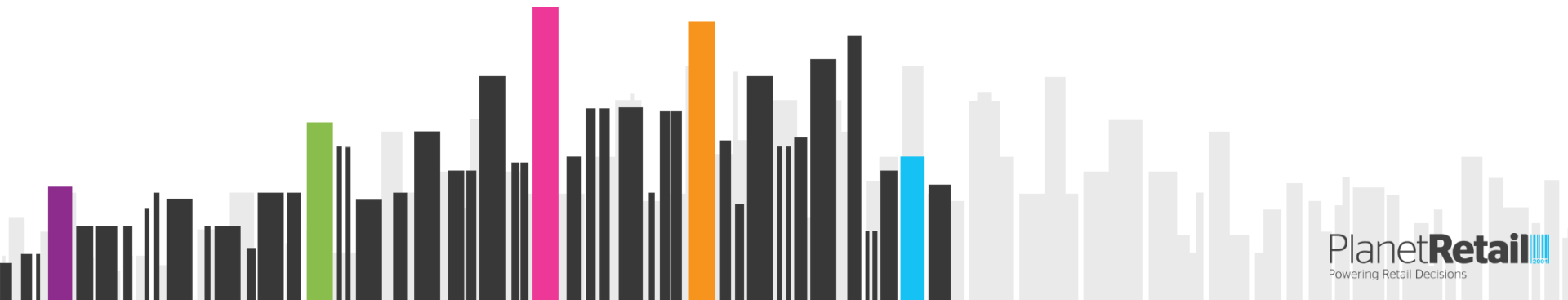
3. Asian retailers in the West



Only a few Asian grocers investing in the West

- Seven & I
 - ▶ Expansion of 7-Eleven convenience stores in USA and Canada.
 - 1,500 store openings in 2013, of which 415 were in the USA and Canada.
- Central Retail
 - ▶ Acquisition of La Rinascente's department store in Italy in 2011.
 - ▶ Acquisition of Illum department store in Denmark in 2013.
- Don Quijote (Japan) about to acquire a supermarket chain Marukai Corp in the west coast of USA .
- Korean cosmetics Missha opened a store in the Czech Republic in 2013.
- Chinese clothing retailer (Bosideng) opened a store in London in 2012, with eyes set on expansion in Europe in the future.
- UAE based Just Falafel fast-food chain entered the UK in 2013.

4. Conclusions



Walmart and Tesco are the largest western investors in Asia, however, Auchan is the raising star.

Hypermarkets will remain their main channel, but increasingly more funds will be invested into small store formats as well as e-commerce.

Despite unfulfilled expectations, China will remain the key market for many global players. Other key markets in the spotlight will be India and Vietnam.

Franchising and JV is a predominant expansion strategy and more partnerships will be entered into, in the future.

Expansion of off-line Asian retailers in the West is limited to non-grocery store formats and fast-food chains. (with exception of Seven&I).

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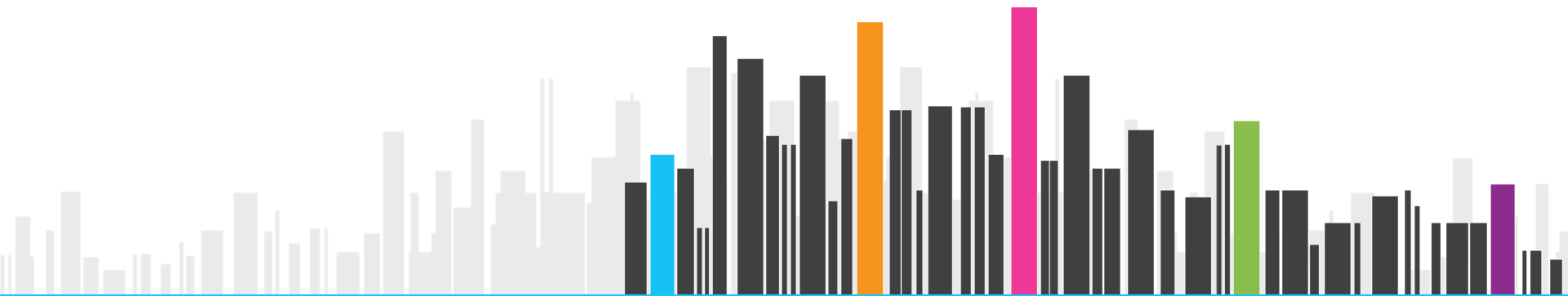
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