



RETAILNET GROUP

We Bring The Future To The Present

RNG's Global 100 Retailers and A Look Ahead

31 Dec 2009

Happy New Year to One and All:

As we wrap up 2009 today and think forward to the coming year of additional change and challenge for retail and the manufactures who supply them, we thought you might want to review a summary of the RNG Forecast of Global Retailers - the Top 100 by sales and the trends and changes we see in our *Look Ahead*.

The list is available as a excel download as well(see below).

To learn more about RNG's services check our [brochures](#) and contact Mark Byrd at (757) 422-8586.

Read on and Cheers to a Healthy, Successful and Peaceful New Years,

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Section 1: Global Top 100 Forecast

RetailNet Group has released its latest forecast of the Top 100 Global Retailers with a number of surprises despite the forecast not including any continued consolidation from M&A activity that is sure to come.

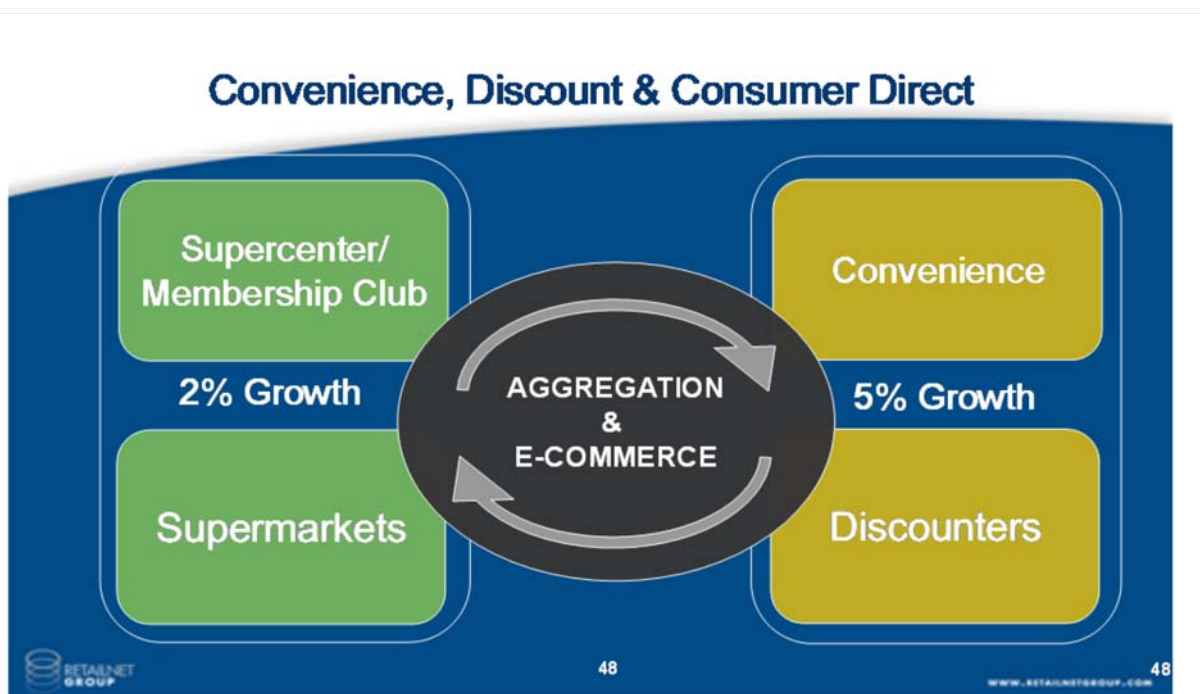
RetailNet Group's global retailing forecast is based on a very conservative, slow growth, forecast for developed markets and with slightly faster but dampened growth in developing markets.

- In developed markets, social dynamics, slow income growth, continued deleveraging and constrained access to credit will be among the drivers of a slow growth recovery.
- In developing and emerging markets, the dramatic growth of the middle class in the past 10 years in markets like Mexico, Brazil, China, Russian and India who together represent over 44% of the global population will moderate and has even retrenched in the current recession according to some pundits. These segments of the population are the key organic drivers of retail demand (more below)

On the store based retail side, store growth will continue to decline overall, despite favorable interest rates for those retailers with access to credit and willingness to add stores while potentially diluting their traffic and sales over more square feed in order to grow top-line and defend share of spend.

Overall, we see a lot of regeneration of existing boxes and replacements or additions with smaller stores overall. In the developed world, RNG foresees big boxes following the same cycle as destination malls: reasons... Societal trends - aging doesn't work with large stores, Convenience choice - consumers are increasingly in control and define what convenience and value are, SKU rationalization reduces the rationale for large stores substituting etail where it doesn't require massive CAPEX for delivering the long tail of variety and specialization.

Figure 1: Retail 2015 Channel Restructuring



Source: RetailNet Group

(click images to enlarge)

Retailers who have done well in the current economic environment are those who jumped on the optimization track early on, reducing overhead, investment (inventory and net working capital) while improving productivity of departments, categories and whole formats with Category Lifecycle Management strategies, assortment optimization and demand based pricing programs.

Private Label came into the limelight a great deal in 2009 and you can expect continued success in 2010 both due to continued consumer value orientation as well as strategic retailer branding and marketing programs that are gaining credibility and satisfaction from Shoppers trying to make trade offs in how they make ends meet.

Section 2: Level V Retailer Growth Strategies and Capabilities

RNG often speaks of key retailer growth strategies and capabilities. Many successful examples were discussed in 2009 and we expect continued acceleration of these trends in the forecasted slow growth environment as retailers try to step change their capabilities to break out into what we call Level V Retailer.

RNG's Top Ten Growth Strategies and Capabilities are:

- **Optimization:** continued strategy driven optimization of retail productivity, pricing, assortment, category participation strategies, inventory reduction, supply chain strategies
- **Retail Branding/Marketing:** one of the biggest shifts in retail in the past 5 years is the fact that retailers are now competent and capable marketers of their stores and their store brands.
- **Market development models:** Multi-market retailers leveraging innovation and scale to accelerate market development in emerging and developing markets
- **Store Re-generation & Innovation:** the CAPEX and shopping experience optimization of Store Based Retail, smaller stores, greater integration with site and store, innovation.
- **Merchandising Innovation:** particularly adjacencies, seasonality, and communication of value.
- **Services:** Financial Services for the under and unbanked, health services, anything that drives trips or loyalty
- **Advanced Supply Chain:** continued development of vendor structure, route to market, inventory management integration
- **Organization:** the era of the specialists, expanding matrix structures to enable cross transfer of capabilities and more rapid development of new capabilities.
- **Global Approaches:** where possible to leverage scale and bring acceleration to retail development for multinational retailers
- **Measurements:** a more ruthless ROIC focus to compete against eRetail and discount operators

Section 3: RNG 2009 Global 100 Highlights

Market Weakness:

- **Tesco** falling below Metro to the #4 spot due to weakness in home market Sterling
- **Home Depot** falling 3 ranks - due to weakness in home and dependence on the USA
- **El Corte Ingles** - large department store operator in Spain down 2 spots

- **Staples** falling 2 spots, **Office Depot** falling 11 spots - office products retail in need of a rethink/restructuring.

Discounters and eRetail set the tone for growth:

- **Schwarz Group** is ranked #5 by scale and moves to 2 by growth - discounters are winning - 2010-14 CAGR is 10.4%
- **Aldi** (Nord and Sud combined) climbed 2 spots with #4 ranking by growth - 2010-14 CAGR is 6.3%
- **Amazon** climbing 8 spots to #37 in 2009 and #25 by 2014 - pure play e-commerce booming - ranked 7th in total growth
- **TJX** climbing 3 spots to #43 - apparel down but discount apparel doing well
- **Dollar General** - climbing 8 spots to #74 - success of Discount / Single Price Point retailers
- RNG will address eRetail growth and rankings as a driver of Store Based Retailer growth and strategies in a forthcoming newsletter.

Winners and Losers

- **CBD** moving up 17 spots with the acquisition of Ponto Frio
- **Game Stop** moving into the Global 100 and up 9 spots - question is will they be able to maintain growth with substitution by digital downloads and community gaming?
- **Apple** moving into the T100 @ 98 with a 27th place ranking for growth
- **Sears'** continued fall by 2 more spots - department stores, apparel, and home tanning
- Looking at **2014 Sales Rankings**, **Whole Foods** and **X5** join the ranks of the Global 100, with expectations of M&A consolidation in China, India and continuing in Russia. Lat Am we expect other regional, developing market based retailers to come into the spotlight as well.
- 5 retailers in the Global 100 that are shrinking (2010-14) are **Ace Hardware**, **Sears**, **Office Depot**, **Home Depot** and **Daiei**. - All in Home, Department Stores or Apparel.

Section 3: RNG 2009 Global 100, The Discounters

Looking more specifically at the Discounters

Of the top 15 Global Discount banners which are either pure discounters (Schwarz and Aldi) or a discount banner of a major retailer, 8 of them fall within RNG's Global 100 and are some of the fastest growing retailers.

Figure 2: Top Global Discount Retailers

Rank by 2009E Sales	Banner	Retailer	Sales (USD billion)		Share of Chain Sales		Sales CAGR		Share of Sales Added	
			2009E	2014E	2009E	2014E	06-09E	10E-14E	06-09E	10E-14E
1	Lidl	Schwarz Group	\$48.1	\$77.3	1.3%	1.7%	13.9%	10.0%	3.2%	3.8%
2	Aldi	Aldi (Sud & Nord)	\$30.6	\$46.1	0.8%	1.0%	11.5%	8.5%	1.8%	2.0%
3	Aldi Nord	Aldi (Sud & Nord)	\$15.6	\$19.0	0.4%	0.4%	4.2%	4.0%	0.4%	0.4%
4	PENNY	Rewe Group	\$12.8	\$13.9	0.3%	0.3%	6.1%	1.8%	0.4%	0.2%
5	Dollar General	Dollar General	\$11.5	\$16.6	0.3%	0.4%	7.6%	7.5%	0.5%	0.7%
6	Aldi Sud	Aldi (Sud & Nord)	\$11.1	\$14.1	0.3%	0.3%	6.5%	5.0%	0.4%	0.4%
7	Bodega Aurrera	Walmart	\$7.8	\$12.6	0.2%	0.3%	13.6%	10.1%	0.5%	0.6%
8	Plus	Edeka	\$7.7	\$9.2	0.2%	0.2%	-	3.7%	1.3%	0.2%
9	Netto Marken Discount	Edeka	\$7.6	\$11.6	0.2%	0.3%	19.5%	8.7%	0.6%	0.5%
10	Family Dollar	Family Dollar	\$7.4	\$8.6	0.2%	0.2%	6.2%	3.1%	0.3%	0.2%
11	Save-A-Lot	SuperValu	\$6.7	\$8.8	0.2%	0.2%	4.9%	5.7%	0.2%	0.3%
12	Netto	Dansk Supermarked	\$6.6	\$8.5	0.2%	0.2%	6.2%	5.1%	0.2%	0.2%
13	Rema 1000	Reitangruppen	\$5.7	\$7.4	0.1%	0.2%	14.5%	5.4%	0.4%	0.2%
14	Colruyt	Colruyt	\$5.7	\$6.8	0.1%	0.1%	7.9%	3.9%	0.2%	0.2%
15	Dia	Carrefour	\$5.4	\$7.2	0.1%	0.2%	10.1%	6.0%	0.3%	0.2%
Top 15 Discounter Banners Total			\$190.3	\$267.9	5.0%	5.8%	11.1%	7.1%	10.7%	10.0%
16-25 Total			\$44.2	\$57.5	1.2%	1.3%	8.6%	5.4%	2.0%	1.7%
26-50 Total			\$53.1	\$68.4	1.4%	1.5%	13.2%	5.2%	3.4%	2.0%
51-100 Total			\$23.6	\$33.1	0.6%	0.7%	11.2%	7.0%	1.3%	1.2%
All Other Discounter Banners Total			\$2.5	\$5.9	0.1%	0.1%	-34.4%	19.2%	-1.8%	0.4%
RNG Global Discounters Total			\$313.7	\$432.8	8.2%	9.4%	9.5%	6.6%	15.7%	15.4%
RNG Global Retail Chain Total			\$3,814	\$4,589	100%	100%	4.5%	3.8%	100%	100%

Source: RetailNet Group

(click images to enlarge)

The impact of the Discount Channel's growth is clear when you look at retailers by their Merchandising strategies. OPP (Opening Price Point) merchandising retailers are outgrowing mainstream retailers almost 2:1 globally.

Figure 3 : Merchandising Class

Merchandising Class	North America		Euroland		Latin America		Global	
	06-09E	10E-14E	06-09E	10E-14E	06-09E	10E-14E	06-09E	10E-14E
OPP	5.0%	4.7%	10.2%	6.3%	14.8%	8.6%	9.4%	6.2%
Convenience	3.3%	3.6%	4.4%	3.1%	12.5%	8.3%	4.1%	3.7%
Mainstream	2.4%	3.6%	4.7%	2.5%	9.1%	6.5%	3.5%	3.3%
Aspirational	4.6%	4.1%	4.9%	2.1%	11.2%	6.5%	5.3%	3.5%
Luxury	5.6%	2.8%	1.9%	1.1%	12.9%	5.3%	7.1%	3.4%
RNG Region	2.8%	3.7%	5.8%	3.3%	10.7%	6.9%	4.4%	3.7%

Section 4: Developing Markets Depend on Reachable and Relevant Consumer Growth

Reachable (urban-access to formal retail) and **Relevant** (Income) population growth will be the key to retail growth in developing markets. Current levels of Reachable and Relevant populations per store have jumped substantially over the past 5 years attracting massive investment in formal retail development especially in big box stores.

As stated earlier, the sustainability of this growth of the middle class will be the key driver of retail growth and ROIC for retailers in developing markets.

The Great Recession has significantly impacted the growth and income mobility of many market populations. Some developing markets are already looking saturated with current levels of consumer income and expenditure (Reachable and Relevant Population per Store) reaching levels comparable to US and Western Europe's overcapacity.

Figure 4: Retail Capacity Getting Ahead of Middle Class Development

Market Saturation- Growth of Addressable Market Key for Developing Markets/ Issue for Developed Markets

Zone	Gross pop / Store 2009E	Reachable & Relevant / Store 2009E
Latin America	12,274	3,250
Brazil	17,163	4,970
Central America/Caribbean	44,067	6,713
Mexico	3,995	1,000
South America	24,840	7,523
North America	1,104	1,082
Canada	1,199	1,175
USA	1,079	1,058
Europe	3,272	2,219
Central/Eastern Europe	10,840	4,508
Western Europe	1,956	1,822

Source: RetailNet Group

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Source: RetailNet Group

(click image to enlarge)

Section 5: The List: RNG's Global 100 Retailers

Figure 5: RNG's Top 100 Retailers

Rank 2008	Rank 2009	Retailer	Home Market	Market Count	Segment Count	2009 Sales (USD bln)	2009 Stores	06-'09E Sales CAGR	10E-'14E Sales CAGR	Share of T100 Sales Added 06-09	Share of T100 Sales Added 10E-14E
1	1	WalMart	USA	15	16	\$401.4	8,159	6.1%	5.5%	12%	20%
2	2	Carrefour	France	23	9	\$147.5	15,612	7.9%	4.0%	6%	5%
4	3	Metro Group	Germany	32	4	\$90.1	2,043	7.1%	1.5%	3%	1%
3	4	Tesco	UK	13	7	\$87.7	4,553	5.1%	2.1%	2%	2%
5	5	Schwarz Group	Germany	26	3	\$78.0	9,858	16.4%	10.4%	5%	8%
8	6	Costco	USA	7	2	\$69.7	557	6.8%	6.0%	2%	4%
9	7	Aldi (Sud & Nord)	Germany	18	1	\$69.3	9,302	10.0%	6.3%	3%	4%
6	8	Rewe Group	Germany	16	12	\$67.6	12,319	8.7%	1.3%	3%	1%
10	9	Kroger	USA	1	6	\$66.7	3,635	5.3%	3.6%	2%	2%
7	10	Home Depot	USA	4	4	\$64.2	2,241	-3.2%	-2.2%	-1%	-1%
13	11	Walgreens	USA	1	1	\$63.4	7,496	10.7%	6.4%	3%	4%
11	12	Target Corporation	USA	1	3	\$62.7	1,746	5.2%	3.9%	2%	2%
16	13	CVS Caremark	USA	1	1	\$57.5	7,498	13.9%	5.7%	3%	3%
12	14	Edeka	Germany	1	7	\$56.1	12,594	5.7%	3.1%	2%	1%
19	15	Aeon	Japan	11	9	\$48.2	1852	6.4%	3.5%	2%	1%
14	16	Auchan	France	13	10	\$47.8	2,750	6.9%	4.8%	2%	2%
18	17	Lowes	USA	2	2	\$46.6	1,700	1.9%	3.0%	0%	1%
15	18	Les Mousquetaires	France	8	6	\$46.1	3,604	5.1%	1.1%	1%	0%
17	19	Sears Holdings	USA	2	8	\$44.9	3,717	-5.0%	-2.6%	-1%	-1%
24	20	Seven & I	Japan	4	6	\$43.8	37001	15.1%	1.8%	3%	1%
20	21	Casino	France	18	13	\$43.3	10,449	4.9%	2.1%	1%	1%
22	22	Wesfarmers	Australia	2	8	\$41.9	2,375	57.9%	5.3%	5%	2%
23	23	Best Buy	USA	4	3	\$41.7	1,531	8.2%	5.2%	2%	2%
21	24	Safeway	USA	2	3	\$41.5	1,755	1.8%	1.9%	0%	1%
26	25	Ahold	Netherlands	4	3	\$37.8	2,944	-0.9%	2.6%	0%	1%
25	26	E.Leclerc	France	5	11	\$36.2	1,545	6.2%	1.7%	1%	1%
27	27	Woolworths Ltd.	Australia	3	5	\$35.3	1628	9.3%	5.4%	2%	2%
30	28	SuperValu	USA	1	5	\$32.9	2,452	32.6%	0.5%	3%	0%
28	29	Spar	Austria	22	5	\$32.5	11,484	1.2%	3.9%	0%	1%
31	30	PPR	France	33	6	\$32.2	2,134	2.5%	1.4%	0%	0%
29	31	Sainsbury's	UK	1	2	\$31.5	846	2.4%	5.1%	0%	1%
33	32	Delhaize	Belgium	8	7	\$28.2	2,699	5.2%	3.9%	1%	1%
32	33	Loblaw	Canada	1	8	\$26.0	1,464	3.9%	3.0%	1%	1%
35	34	Rite Aid	USA	1	1	\$25.7	4,751	10.7%	1.8%	1%	0%
34	35	IKEA	Sweden	35	1	\$25.5	304	9.9%	4.1%	1%	1%
38	36	Publix	USA	1	2	\$24.2	1,026	4.1%	3.6%	1%	1%
45	37	Amazon	USA	7	1	\$24.0	-	29.6%	12.8%	2%	3%
37	38	MACY's	USA	1	3	\$23.0	837	-0.2%	0.0%	0%	0%
36	39	Tengelmann	Germany	15	7	\$23.0	4,786	-5.2%	1.7%	-1%	0%
40	40	Mercadona	Spain	1	1	\$22.3	1,250	14.7%	6.8%	1%	1%
39	41	Staples	USA	14	1	\$21.8	2,239	7.4%	2.6%	1%	0%
41	42	Morrisons	UK	1	2	\$20.3	388	1.4%	3.4%	0%	1%
46	43	TJX	USA	5	3	\$19.9	2,693	6.0%	4.6%	1%	1%
52	44	Yamada Denki Co., Ltd.	Japan	1	2	\$19.7	563	14.1%	4.1%	1%	1%
42	45	Systeme U	France	1	3	\$19.5	908	6.5%	1.5%	1%	0%
44	46	El Corte Ingles	Spain	9	7	\$18.6	649	3.2%	1.0%	0%	0%
49	47	Migros Switzerland	Switzerland	3	8	\$18.6	1,311	9.1%	3.0%	1%	0%
43	48	EURONICS	Netherlands	28	1	\$18.3	9,714	11.2%	1.2%	1%	0%
65	49	LVMH	France	36	4	\$18.0	1,511	18.8%	3.2%	1%	0%
51	50	JC Penney	USA	1	2	\$17.4	1,109	-1.9%	0.7%	0%	0%
50	51	Coop Italia	Italy	2	4	\$17.3	1,432	3.1%	1.1%	0%	0%
56	52	Kohl's	USA	1	2	\$17.0	1,059	6.0%	3.7%	1%	1%
59	53	H.E.B.	USA	2	3	\$16.9	357	8.1%	5.0%	1%	1%
47	54	Kingfisher	UK	8	2	\$16.9	826	3.8%	2.2%	0%	0%
53	55	Kesko	Finland	8	9	\$16.0	1,908	7.5%	1.5%	1%	0%
48	56	ICA	Sweden	5	5	\$15.7	2,195	2.9%	2.0%	0%	0%
54	57	Lekkerland	Germany	11	1	\$15.7	-	8.5%	0.8%	1%	0%
63	58	Coop Schweiz	Switzerland	1	11	\$15.2	1,757	10.4%	3.0%	1%	0%
60	59	Rossmann	China	33	9	\$15.0	8,159	7.8%	7.6%	1%	1%
57	60	Louis Delhaize Group	Belgium	7	6	\$14.7	1,260	4.8%	2.0%	0%	0%
93	61	Co-Operative Group	UK	1	5	\$14.5	3,862	22.8%	2.6%	1%	0%
55	62	Marks & Spencer	UK	36	4	\$14.4	960	0.4%	3.1%	0%	0%
58	63	Inditex	Spain	68	2	\$14.0	4,543	11.0%	5.8%	1%	1%
70	64	Meijer	USA	1	1	\$13.9	190	2.7%	3.0%	0%	0%
66	65	Gap	USA	5	1	\$13.6	3,088	-4.0%	0.2%	0%	0%
64	66	Grupo Adeo	France	9	1	\$13.5	839	13.3%	1.8%	1%	0%
68	67	Sobey's	Canada	1	6	\$13.4	1,323	6.4%	3.9%	0%	0%
67	68	Hennes & Mauritz AB (H&M)	Sweden	33	1	\$13.4	1,874	13.0%	3.8%	1%	0%
61	69	DSG	UK	10	1	\$13.2	1,358	2.2%	3.3%	0%	0%
69	70	Toys "R" Us	USA	16	1	\$12.9	1,299	-0.9%	1.6%	0%	0%
72	71	Otto GmbH & Co KG	Germany	5	4	\$12.3	1,139	0.9%	1.7%	0%	0%
73	72	CONAD	Italy	1	4	\$12.2	2,830	7.3%	1.6%	0%	0%
62	73	Office Depot	USA	25	1	\$12.2	1,584	-4.4%	-2.4%	0%	0%
86	74	Dollar General	USA	1	1	\$11.9	8,742	8.6%	8.0%	0%	1%
80	75	Uny Co., Ltd.	Japan	2	7	\$11.9	7974	2.4%	0.0%	0%	0%
71	76	Alliance Boots	UK	7	1	\$11.5	3,108	3.4%	3.4%	2%	0%
94	77	CBD - Pao de Acucar Group	Brazil	1	6	\$11.4	1,070	20.0%	6.6%	1%	1%
84	78	Wakefern	USA	1	2	\$11.2	241	4.7%	4.2%	0%	0%
74	79	Arcandor AG	Germany	1	2	\$11.0	118	1.2%	2.5%	0%	0%
81	80	Cencosud	Chile	4	7	\$10.6	606	25.6%	6.1%	1%	1%
79	81	Dansk Supermarked	Denmark	5	4	\$10.6	1,284	6.8%	4.0%	0%	0%

Source: RetailNet Group

(click image to see entire list)

[Click Here for the Excel Version of this list](#)

Summary:

RNG consistently expresses its view that responsible brand owners have to start thinking about growth in an entirely different context. The more probable world where:

- New big box store growth is constrained (2-3% CAGR in developed markets) and perhaps has even entered a prolonged decline following the same cycle as destination malls
- Smaller (urban/suburban) express and discount stores expand with new approaches to variety
- Brand assortments are edited and off shelf merchandising limited
- eRetail provides variety and access to consumers both via and around global store based retailers. Brands need to look to grow outside of store based retail.. esp. those brands with supply chain and purchase dynamics that are not dependent on stores and are not easily substitute-able. Reality is:
 - 55% of the brands that are in big boxes don't have a choice
 - 30% are brands that can grow outside of Store Based Retail (SBR) ... and many of them are trip drivers
- Retail pricing will continue to be value focused, challenge to retailers and manufacturers alike is to elevate the quality and attribute side of the equation rather than continue to drive the price denominator.

Some other good reading to prepare for the New Year:

[Ann Handleys 100 things to watch list:](#)

[Gallup's USA 2009 in Review](#)

[Foreign Policy review](#)

[Financial Times Interactive review of Global Markets](#)

Enjoy the remainder of your Holiday, We'll be in touch in the New Year!

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RNG Clients are reminded of our Analyst Support and Access. If you have questions, challenges, or would like help making the RNG tools and data work for you please contact us by email, phone or through the chat function on our site. We look forward to hearing from you.

If you have any questions about RetailNet Group's services or any of this content please contact:

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