

Emerging from
the downturn
Global Powers of
Retailing 2010



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Emerging from the downturn

Deloitte Touche Tohmatsu (“Deloitte”), in conjunction with STORES Media, is pleased to present the 13th annual Global Powers of Retailing. This report identifies the 250 largest retailers around the world based on publicly available data for the companies’ 2008 fiscal year (encompassing fiscal years ended through June 2009). The report also provides an outlook for the global economy; a discussion of the major challenges facing retailers; and an analysis of market capitalization in the retail industry.

Global economic outlook, October 2009

2009 has come to a close and all one can say is “good riddance.” It was the worst year for economic performance in recent memory, and began on the heels of a near breakdown of the financial sector. At the start of 2009, economists found themselves opining on the probability of another Great Depression. Thankfully, the year ended on a more positive note, with economists offering their views on the potential strength of the all-but-certain recovery.

The main theme of the economic outlook for the coming year is that the global economy seems to be tracking towards a better-than-expected outcome. Most of the world’s major economies are now growing and some, like Japan and the Eurozone, began growing sooner than most analysts expected. The global crisis was notable for the near synchronicity of the downturn; likewise, the upturn appears to be happening everywhere at once – something that is not usually the case. The good thing about this is that strengthening global demand is self-reinforcing, especially as it boosts trade flows and export-oriented production. The mostly synchronous policy response to the crisis (fiscal and monetary expansion) probably played a key role in the global recovery, and the risks of the recovery are similar in most places. These include the lingering effects of financial market stress, as well as the possibility of future inflation.

As for the world’s retailers, economic recovery will return the industry to a growth path – but the nature and geographic distribution of that growth will be quite different than the recent path. In the decade prior to the current economic crisis, there was strong retail growth in the United States and in smaller economies like the U.K., Spain, and Ireland. Such growth was funded, in part, by borrowing against the increased value of homes, itself the result of a flood of liquidity from surplus countries like China. This excessive consumer spending growth was not only the principal source of economic growth in these countries, it also fueled export-driven growth in surplus countries like China, Japan and Germany. In fact, the symbiosis between these “consuming” and “producing” groups of countries was the hallmark of the global economy in the first decade of the 21st century.

The next phase in retail growth

All of that is about to change, however. The global economic crisis of 2008-09 exposed the fault lines of the imbalanced global economy. When the inflated values of property-based assets peaked and then collapsed, global financial institutions suffered huge losses. The resulting loss of confidence caused a near shut-down in global credit markets as investors fled to the safety of short-term government securities. Moreover, indebted consumers were forced to dramatically shift gears: they increased savings, paid down debt and ceased to spend with abandon. That crisis is ending and the recovery is clearly underway, but the global pattern of consumer spending of the past decade will not return soon.

In the coming decade, the countries that borrowed heavily to finance excessive consumer spending may experience slower consumer spending growth as households struggle to de-leverage, repair tattered balance sheets and accumulate wealth for future retirement and other needs. More of the economic growth of these countries will likely be driven by exports, business investment and government spending. Conversely, those countries whose growth was fueled by exporting to borrowing countries will no longer be able to depend on such markets. Consequently, countries like China will likely shift away from export-oriented growth toward growth driven by consumer spending. The degree to which this adjustment takes place (and transitions smoothly) will depend on the policies put in place by various governments. Nevertheless, an adjustment of some sort will almost surely take place.

For global retailers and their suppliers, the next decade will bring a very different business environment. Not only will the growth of consumer spending shift geographically, but the nature of consumer spending will shift, as well. In places like the United States and the U.K., retail spending growth will not only be slower, it will be focused on the needs of a value-oriented consumer, and the recent shift in market share toward discount formats may very well be sustained during the recovery. The weakness of housing markets will have consequences, as well, because spending on discretionary items is likely to be restrained.

On the other hand, countries like China that ran large surpluses will experience faster consumer spending growth. A larger share of the growth of global retail spending will now take place in such markets – especially the large emerging markets.

Let's consider some of the major markets and the outlook for their consumers and retailers.

China

China is the toast of economic policymakers: No other major country in the world has performed as well as China during the global crisis. Most analysts have revised their forecasts for 2010 to economic growth of about 9 percent. This exemplary performance is a bit of a surprise given the collapse of global trade that followed the onset of the credit crunch in late 2008: Given China's significant role as an exporter, there was widespread expectation that it would suffer considerably. Yet the drop in net exports was more than offset by the strength of consumer spending, business investment and especially government investment – the latter of which alone contributed 6 percentage points to economic growth in the first half of 2009.

The massive monetary and fiscal stimulus on the part of the Chinese government not only assisted economic recovery, it also fueled increases in property prices, leading to fears of a new bubble. It also fueled excessive investment in industrial capacity and strengthened the role of state-run enterprises at a time when the private sector needs to gain market share. Hence, while the recovery is under way, the policies that have brought on recovery are laden with risks for the future.

The authorities in China have begun the process of shifting monetary policy to a tighter stance. As usual, timing is everything: By starting now, when the economy is not yet fully recovered, the authorities may be able to navigate China toward strong growth without inflation and ruinous and destabilizing asset price bubbles. Still, risks remain. China's history of credit policy is one of blunt instruments leading to volatility in asset prices. That may recur, but the policy stance of the past year has had the positive effect of moving China along the road to domestically driven growth. This is helping to lessen the negative effects of reduced export growth.

What about the Chinese consumer?

Retailing will perform well if China makes a successful adjustment away from export-oriented growth and toward growth based on consumer demand. This means undertaking measures to stimulate consumer spending, and could include liberalizing consumer finance, improving the social safety net so as to discourage saving and allowing the currency to appreciate in value – thereby suppressing import prices.

There are indications that China intends to move in this direction, but there are obstacles here, as well. First, China's government appears to be of two minds on the currency. On the one hand, it wants to encourage domestic demand so that it need not accumulate more foreign currency reserves. On the other hand, it complains about the potential capital loss on its existing reserves should the dollar fall further. During the economic crisis, China stopped allowing the currency to appreciate lest it harm export competitiveness. Once global recovery is fully extant, however, China is likely to allow further revaluation: the question is how much.

Second, China's response to the crisis was to massively stimulate investment in infrastructure and state-owned companies. The result is an economy distorted by excessive investment and insufficient consumer demand. If the consumer is to play a bigger role in the economy going forward, China will have to adjust policy accordingly. The degree to which this will take place remains uncertain.

If China and the United States both do all the right things, then adjustment in the global economy should go smoothly and the growth in global consumer spending will shift away from the United States and toward China. If policymakers fail to act, however, then the road to adjustment could be bumpy. It could, for example, entail volatility in financial markets – especially currency markets – that could have onerous consequences for economic growth.

United States

The good news is that the U.S. economy will experience a robust recovery in 2010 as the billions in monetary and fiscal stimulus slowly work their way into the economy. Housing prices have stabilized and, with heavy government incentives, sales have risen. Auto sales have soared on government subsidies aimed at improving sales and fleet mileage. Manufacturing is showing signs of renewed strength. Bank profitability has rebounded sharply. Most importantly, financial markets appear to be healing. Risk spreads are now lower than when the crisis began, and bank balance sheets are mostly far better than a year ago.

This recovery will look very different from the traditional economic rebound, however. While domestic consumers will play their part, they will not be the biggest driver of growth. Instead, government spending, foreign consumer purchases of U.S. exports and business investment will lead the U.S. economy to a stronger-than-expected recovery.

As for the consumer, there are signs of improvement. High debt levels and rising unemployment have led many analysts to write off any potential contribution to future growth from consumer spending. But the fundamentals for consumer spending have improved sharply in recent months. Real consumer purchasing power is soaring. Over the summer, real hourly wages grew at their strongest pace in more than 40 years. At the same time household net worth, which took a pounding over the past two years, has begun to rebound. Given the pent-up demand, it is likely that there will be an uptick in consumer spending in the United States in 2010, even if the consumer is unable to behave as in the recent past.

The longer term

It is not sufficient to predict that American consumers will simply decide to spend less in the future. Something will compel them to do this, and there are several factors that will likely contribute to a significant shift in U.S. consumer behavior. First, the destruction of wealth that has transpired over the past two years (roughly \$14 trillion) will not be reversed quickly unless both the equity and property markets experience unusually rapid price increases. Thus, consumers will feel the necessity to rebuild wealth by saving, a process that has already begun.

Second, given the destruction of housing wealth, most consumers will no longer be in a position to borrow against increased property values; as a result, consumer spending will be constrained by income. Third, while financial markets are showing signs of recovery, history suggests that banks will remain cautious in their lending behavior for some time to come. Thus, consumer credit will not be as readily available as in the recent past, and prospective changes to the regulatory environment will likely exacerbate this factor. If banks are forced to hold more capital, and if the market for securitization remains a shadow of its former self, there will be less credit available for consumers.

Other areas of government policy may play a role in restricting consumer spending. Increased taxes on upper-income households will have a negative impact on spending; in addition, efforts to restrict emissions of carbon gases are likely to increase the price of energy, thus shifting consumer spending away from other goods and services. Finally, there is the elusory psychological factor: The length and depth of the recent recession, the worst of the post-war era, may have a lasting impact on the willingness of consumers to engage in risky behavior. This may compel a permanent shift toward more frugal spending (fewer big-ticket items purchased, more discount shopping).

Eurozone

The Eurozone is staging a surprising recovery, thanks to stable consumer spending and a revival of demand from trading partners in Asia. A belated-yet-aggressive monetary policy response is playing a role, as well.

The corporate response to the uncertainty that arose at the end of 2008 was to slash inventories and freeze investments. With manufacturing orders picking up, companies are expected to start rebuilding inventory, aiding the rebound in industrial production and contributing positively to GDP growth.

If the recovery in global demand can be sustained and capacity utilization rises, companies will likely take advantage of the low-interest-rate environment to initiate some investment spending. If investment spending is slow to pick up, it will not be for lack of money. As part of the financial rescue plan, and in the hope that it would rebuild banks' confidence in lending to the real economy, the ECB flooded the banking system with liquidity, some of which is seeping through to the corporate sector.

Overall, however, corporate lending remains at an extremely low level, and surveys suggest this is not due to an issue with the supply of, but rather with the demand for, money. Even the ECB accepts that business borrowing to fund investment will likely pick up only slowly as the recovery unfolds, so the future pace of recovery remains somewhat uncertain.

The European consumer sector

While the clampdown on spending by corporations has been a drag on growth in recent quarters, consumer spending has held up better than expected during the recession – not least because of government incentives. But now there are fears that Eurozone consumers could tighten their purse strings as unemployment rises.

The impact might be less severe than feared, however. Lower wage income is partly compensated for by higher social transfers (unemployment benefits), which in Europe can run up to two-thirds of the last income for a year or longer. Also, the savings ratio (currently at about 15 percent in the Eurozone, slightly above its longer-term average of 14 percent) has room to decline as unemployment rises, acting as a buffer for spending. The bottom line is that, while retailing did not suffer egregiously during the recession, it will probably not grow rapidly in the recovery.

United Kingdom

Like most advanced economies, the United Kingdom's has seen a marked improvement in economic prospects. Financial markets have stabilized and this has been reflected in the continued rally in equities and corporate bonds, in narrowing corporate bond spreads and falling inter-bank interest rates. Most lead indicators of economic activity signal recovery – though it is likely to take place at a modest pace.

A slow recovery is the price the U.K. is likely to pay to rebalance its economy. Consumers entered the downturn with low savings and relatively high levels of debt. Household debt as a proportion of income increased from 100 percent to 165 percent in the 10 years leading up to 2007, while the savings ratio dropped from 4.5 percent to -0.5 percent. Financial innovation had enabled more consumers to access credit more readily, and this helped fuel rising house prices and consumption.

Since 2007, lower house prices have eroded consumers' collateral and, therefore, their ability to raise credit. At the same time, banks have become more cautious about lending. The result is that a process of balance sheet rebuilding is well underway.

The pace of consumption growth depends largely on the pace of rebalancing in the economy, but the general view is that this will be a slow process. The corollary is that growth in consumer spending will remain subdued into 2011.

U.K. consumer balance sheets are certainly stretched, but the problems may be less acute than they appear at first. Borrowing has risen sharply, but so too has the overall value of consumers' financial assets. This is because part of what has been driving the housing market is older homeowners selling large homes, buying smaller ones and putting the extra cash into financial assets. U.K. households accumulated an additional £1 trillion of debt between 2000 and 2008 but also acquired more than £750 billion of financial assets over the same period. And while lower house prices are seen as an economic depressant, more affordable housing provides a boost for those planning to trade up or buy their first house.

For now it looks as if the process of strengthening consumer balance sheets will take time. The United Kingdom's economic recovery over the coming quarters is unlikely to come from the consumer; rather, the main drivers are likely to be investment, exports and a switch in demand from foreign to U.K. producers.

Japan

Japan appears to have come out of its worst postwar recession. The recovery is fragile, however, and conjures up memories of the "lost decade" of the 1990s when the economy showed signs of recovery only to keep faltering again. Record unemployment, falling wages and a decline in business investment have kept the mood somber. The accelerated decline in consumer prices (excluding food and energy) recently increased fears of the economy being caught in a deflationary spiral.

Massive fiscal stimulus, coupled with a near zero interest rate policy, are virtually identical to the factors that fueled the 2000-2007 recovery. Consumer spending is set to rise modestly despite a worsening job outlook, but the current recovery is being led by exports, a pattern similar to the past. Exports have grown thanks to the massive stimulus spending programs launched by governments across the world, especially China.

A short-term euphoria may be created by the landslide victory of the main opposition party, the Democratic Party of Japan (DPJ), but there is some uncertainty regarding the policies the DPJ is likely to adopt and their impact on economic growth in the medium and long term. The DPJ has indicated that it will try to boost domestic consumption through reductions in taxes and fees and through provision of a social safety net. The idea is to increase household income and reduce precautionary savings and, thereby, boost household spending. Skeptics, however, are worried that households may divert the increased income to savings rather than increase consumption.

A big concern is how the DPJ will fund these policy measures: it plans to raise the money by eliminating waste in government and reevaluating public works projects, and the suspension of dam construction projects has already been announced. Even if the government withholds the entirety of public works spending, however, it will likely get only around half the amount needed.

The real hope for the economy is that exports are likely to continue to expand, but the recent strengthening of the yen against the dollar has worried exporters. A stronger yen erodes earnings by reducing the amount exporters repatriate to cover their costs. Further, the Chinese yuan being closely tied to the dollar means that earnings of Japanese exporters from China, a price-sensitive market, could also get hurt. China has emerged as the single biggest market for Japanese exports, and the current growth in exports is mainly being fueled by China and other Asian countries.

The bottom line for Japan is that it remains highly dependent on exports at a time when its currency is rising in value and its second most important market (the United States) is retrenching. Hence, overall growth will likely remain slow while the outlook for the consumer is uncertain.

Russia

Several things are clear about Russia: it had a very bad 2009, it will have a better 2010 and its longer-term outlook depends heavily on the price of oil. The big question, then, is whether Russia, even with rising oil prices, is capable of returning to the high growth of the past decade. The answer depends on several factors: the policy response of Russia's authorities; the health of global credit markets; the degree of confidence in Russia on the part of foreign investors; and just how high oil prices rise.

The outlook for the coming year depends on a number of factors. First and foremost, the price of oil will have a big impact. When oil was close to \$150 per barrel, Russia was doing very well; when the price fell to \$60 per barrel, the situation became troubling. However, the price of oil throughout the past decade was lower than this, and Russia's economic performance was quite good. Export revenue in 2009, while considerably lower than last year, will probably be roughly comparable to that of 2006. The problem is that during the past decade, Russia took advantage of the relatively high price of oil and low capital costs to borrow heavily from abroad. Today, external debt is much higher than three years ago. Given this and the state of global credit conditions, Russia requires an even higher level of export revenue to restore economic credibility.

Russia's performance next year will depend heavily on the stance and flexibility of government policy. Fiscal policy has been highly expansive, the effect of which has been widely debated, but there is almost no debate as to what comes next. Russia will ultimately have to remove fiscal stimulus, something it seems determined to do in a credible way. Indeed, the government is making very pessimistic assumptions about the price of oil and the rate of economic growth in forecasting a budget deficit of 7.5 percent of GDP for 2010.

Monetary policy will matter, as well. It has lately been relaxed, aimed at providing liquidity to the financial sector. Yet inflation remains stubbornly high, possibly necessitating another tightening of monetary policy in the near future.

Finally, longer-term prospects will depend on other aspects of economic policy like regulation, investment in infrastructure, efforts to tamp down corruption and respect for private property rights. Such issues have been an impediment to economic diversification. Russia's excessive dependence on the resource sector is a concern for policymakers, and diversification will require a new business environment.

The outlook for the consumer sector, however, looks good. If Russia grows, consumer spending will grow. Moreover, with limited government interference, retail modernization will likely continue and foreign investors will be welcomed.

Brazil

Brazil is on fire: Its economy has recovered nicely from a very modest recession, and there is general consensus that the outlook is quite strong. Nearly two decades of low inflation, modest deficits and strong growth have convinced the global investment community that Brazil is a relatively safe bet. A combination of stable politics and economics has generated very strong direct investment from overseas. Plus, the recent awarding of the 2016 Summer Olympics to Rio de Janeiro has increased the sense of confidence – bordering on euphoria – in the Brazilian business community.

Another positive aspect to Brazil is that the social policies of the current government have led to a lessening of income inequality – a sharp reversal from past experience. Thus, the number of people moving from poverty into the low middle class is substantial. In addition, for the first time roughly half the population is considered middle class. This represents a major opportunity for retailers.

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Top retail trends 2010

Resetting consumer behavior

As expected, the global recession changed the behavior of consumers. They became more value conscious, more attracted to private labels, less likely to purchase large discretionary items and less likely to eat outside the home. Yet the duration and depth of the recent downturn raises the possibility that these changes in consumer behavior will be sustained even after recovery takes place. This would apply principally to those markets in which consumer spending had been excessive during the pre-recession era and where spending was fueled by debt. Such markets include the United States, U.K. and Spain, to name the most significant.

If this pattern holds, it will have important implications for retailers operating in large developed markets. First, they will have to offer consumers a favorable value proposition; this will be especially critical for retailers not in the discount business. A good value proposition will entail being clearly differentiated from competitors so that consumers sense a unique offering – perhaps through exclusive brands – and become less likely to compare prices. In addition, smart retailers will focus on brand management in order to convey their value proposition. They will also focus on improvements in customer experience as a differentiating factor.

Second, retailers may find it necessary to shift their resources toward the development of discount concepts: Some multi-brand retailers are already doing this. The problem, of course, is that discount formats can cannibalize higher-priced formats. Thus, this strategy could prove to be a zero-sum game.

Finally, challenging conditions in markets like the United States and U.K. may compel retailers to invest in newer markets. Thus, the value orientation of rich country consumers could have the effect of accelerating retail globalization.

Luxury reset

The luxury market took a big hit from the economic recession. As the global economy recovers, the luxury market will, too, but the end result will be quite different from the recent path.

Basically, there are two luxury markets. At the very high end, this market will do well: After all, even if a household experiences a decline in wealth from \$100 million to \$50 million, there is still plenty of money remaining to pay for an expensive handbag. Second, there is the aspirational luxury market. This involves households with sufficient incomes and wealth to purchase luxury items, but where such purchases have a noticeable impact on wealth. For these consumers, the recent recession led to a severe drop in perceived wealth and, therefore, willingness to engage in luxury spending. As the economy recovers, wealth will still be suppressed – especially housing wealth.

Thus, the propensity of such consumers to purchase luxury items will be reduced for some time to come.

For luxury retailers, this will be a tough environment. Appealing to the aspirational consumer will require a greater focus on the issue of value, yet such an appeal could offend the sensibilities of high-end luxury shoppers. Thus, there may be a need for greater market segmentation on the part of luxury retailers and suppliers.

In addition, luxury sellers will shift their focus to the needs of aspirational shoppers in emerging markets like China. In such markets, the newly affluent are especially brand conscious and attracted to luxury brands. Such shoppers might be easier to attract than similar households in developed markets.

World-class emerging retailers

Any discussion of the future of the consumer necessarily requires a substantial look at emerging markets. Large emerging markets are set to play a far more significant role in the global economy in the coming years, yet most discussions about the consumer markets of emerging nations have focused on the opportunity for global retailers that are based in developed countries. What about retailers based in emerging markets? Most of the spoils will go to them rather than the relative handful of global retailers that have the gumption to invest in emerging markets.

Moreover, many emerging-market retailers are rapidly becoming world-class players in their own right. Not only are they well equipped to compete with the global giants in their home markets, some are even becoming competitive in other markets. Several emerging-market retailers have experienced success in neighboring emerging markets, whether in East Asia, Africa, the Middle East or South America. More of this will surely occur in the near future as such retailers become regional powerhouses.

The next step in the evolution of these players, however, will be investments into developed markets. Some of this is starting to take place: There are retailers based in emerging markets that see growth opportunities in much more affluent markets. Generally, these are specialty players rather than food or mass merchandise retailers, and are often vertically integrated retailers selling single brands that evoke the essence of their home markets. Such markets are still seen as exotic and romantic by consumers in rich countries.

What this trend implies is that the global playing field of retailing is becoming more level. Many emerging markets now have sufficiently large middle classes to support the efficient operations of a large, sophisticated home-based retailer. Such retailers are now able to tap into global expertise, often hiring reverse expats who have spent time in affluent markets gaining valuable knowledge and experience. In addition, these retailers have relatively easy access to domestic and global capital markets. They obtain capital from private savings (especially in Asia), global private equity firms and sovereign wealth funds interested in supporting domestic entrepreneurs. As such, these companies are able to be world-class competitors to the larger global players.

Globalization of U.S. retailers accelerates

The globalization of American retailing has been imminent for decades. It still is, only this time may be different. U.S.-based retailers now face an economic environment at home far more challenging than anything they've experienced in recent memory. In the past, there may not have been sufficient incentive for U.S.-based retailers to risk entering new markets. Given the sorry experience of many global retailers and the strong opportunities that still existed at home, it was probably wise to focus on the home market. But things are clearly changing: the home market will grow more slowly, and the consumer will likely be more fickle. Therefore, to achieve solid growth, U.S. retailers will either have to substantially gain market share at home or find new opportunities in other markets.

The most likely candidates for global expansion are specialty retailers rather than food, mass merchandise or department store operators. U.S.-based specialty retailers are well developed, often clearly differentiated, well executed, have substantial financial resources and are facing saturation and slow growth at home. We have already seen global investments by U.S.-based apparel and home goods retailers, and more will surely follow.

The home specialty concept is perhaps the most pioneering area of U.S. retailing, but this segment has been hit hard by the collapse of the U.S. housing bubble. It is not likely that the business environment for these retailers will dramatically improve anytime soon – so if ever there was a time for globalization, it is now.

Social networking and retailing

Many people above the age of 40 have no idea how to engage in social networking – and many who do have no idea what to do with this modern form of communication. Yet as with most new technologies, this one is having an impact on retailing. Indeed, social networking has the potential to revolutionize the industry by empowering consumers, whose technological learning curve is quickly disappearing. Many retailers are lagging behind their customers' rapid evolution, however.

The first effect of this is the need for increased transparency: Consumers demand greater access to information about retailers, their products and their pricing. Essentially, this changes the relationship between retailer and consumer into a seller's auction, which has the potential to undermine margins by lowering prices to the level of the most desperate seller.

Second, social networking has an effect on the shared shopping experience. Consumers interact with friends as they shop and exchange ideas, tips and recommendations about bargains, new merchandise, sales events and bad experiences. Consumers are thus shopping "virtually" with their friends, seeking their instant approval, validation and opinions. The personal referral is making a comeback in the virtual world.

Social networking not only affects consumers, it creates new touch points and marketing tactics for retailers that didn't exist only a few years ago. Retailers can now build a more complete relationship with their best customers through networks. Personalized marketing was a frustrated vision 10 years ago and got a bad reputation in early attempts. Now it is entirely feasible and, eventually, will be a necessary competitive capability.

Finally, networking creates access to information at a level that shifts the balance of knowledge and expertise from the seller to the buyer. Buyers can research product information at a level that goes beyond the ability of many retailers to educate their sellers. This shift in the balance of power will stimulate retailers to equip their associates with product information at a level that matches or exceeds the customer's knowledge.

This revolution is driven by the consumer's creative use of new technologies. Retailers will need to understand and follow their customers' new shopping behaviors in order to thrive.

Rationalizing assortments

Most retailers offer too much product. This is a symptom of a disconnect between buying teams and an institution's ability to understand customers, but it is also a failure to recognize the life cycle of products, brands and SKUs. Retailers often boast about the large number of SKUs they offer, but exiting a category or product range can be as important as the introduction of a new one. In the future, smart retailers might boast of how many SKUs they have eliminated and take pride in the focused nature of their offering.

Strengthening customer loyalty will increasingly involve demonstrating to the consumer that the retailer understands her preferences and lifestyles and can anticipate changes in these attributes. A fundamental demonstration of such understanding would come from eliminating what the customer doesn't want and focusing on what is relevant to her. The customer's loyalty will be rooted in her trust that the retailer is able to do this through range editing.

Achieving such focus will not come easily: It will involve not only the use of information technology to monitor consumer behavior, but also using networked communication to understand consumer preferences and lifestyles.

Increased polarization

Polarization is an old story, but an important one. It appears to be on a one-way path that threatens the viability of those in the middle.

Most developed retail markets – and, increasingly, many emerging ones – can be split into three major segments: value, middle and premium. Value involves category killer and mass merchandise volume-driven big boxes; premium is aspirational, niche and higher margin.

The middle, therefore, is often the default segment, and many retailers attempt to be all things to all people. The middle is especially vulnerable given the constraints on consumer spending growth in many developed economies and the pressure on margins that creates. The economic constraints on consumers will further drive the necessity for retailers to choose the low-margin, high-volume approach or one that is more aspirational, value-added, niche and higher margin; the guys in the middle will face growing pressure. The extent to which middle-market players can strengthen their models and become more focused in the eyes of consumers will be key to their survival prospects.

Global Powers of Retailing Top 250 highlights

2008 a tumultuous time for Global Retail Industry

The global economic expansion came to an end in 2008. As the year progressed, the recession that began in the U.S. worsened, spreading around the globe. Retailers faced an extremely challenging environment as consumers became more cautious and reduced their spending in response to troubled housing, employment and credit markets. As consumers realized they could no longer spend beyond their means, retailers selling discretionary goods were particularly hard hit. Retailers selling food and other necessities fared considerably better.

Fiscal 2008 sales and profits for the Top 250 Global Powers of Retailing reflect the impact of declining consumer confidence. Among the Top 250, 61 retailers had declining retail sales in 2008, up from 44 in 2007. As spending became much more dependent on income than on credit, retailers selling apparel and accessories, consumer electronics, and home improvement products struggled. However, given the severity of the economic downturn, composite retail sales growth was not as sluggish as might have been anticipated. Sales-weighted, currency-adjusted retail sales for the Top 250 rose 6.3 percent in 2008 compared with 7.6 percent in 2007.

While sales growth slowed as recession-weary consumers pulled back, profitability plunged in 2008. The composite net profit margin fell to 2.4 percent from 3.7 percent a year earlier, bringing to an end what had been a trend of continuing improvement in retail profitability in recent years.

Many retailers “bought” sales with heavy promotions, which hit the bottom line hard. Of the 184 companies that disclosed their bottom-line results, 30 operated at a loss (more than double the 14 unprofitable companies in 2007). Perhaps more telling, 123 companies, or fully two-thirds of all reporting companies, saw their net profit margin decline in 2008.

As a group, retail sales of the Top 250 Global Powers of Retailing exceeded US\$3.8 trillion in fiscal 2008, an increase of 5.5 percent from 2007’s Top 250 total of US\$3.6 trillion. Some of the increase reflects nominal sales growth, and some reflects the changing composition of the Top 250 list itself. However, part of the gain in the aggregate U.S. dollar-denominated sales figure is due to the impact of a weaker dollar against many major currencies during 2008.

Top 250 global retailers 2008

Retail sales rank (FY08)	Name of company	Country of origin	2008 group revenue* (U.S. \$mil)	2008 retail sales (U.S. \$mil)	2008 group net income* (U.S. \$mil)	Dominant operational format	# Countries of Operation	2003-2008 Retail Sales CAGR**
1	Wal-Mart Stores, Inc.	U.S.	405,607	401,244	13,899	Hypermarket/Supercenter/Superstore	15	9.4%
2	Carrefour S.A.	France	129,809	127,958	2,264	Hypermarket/Supercenter/Superstore	36	4.3%
3	Metro AG	Germany	99,986	99,004	824	Cash & Carry/Warehouse Club	32	4.8%
4	Tesco plc	U.K.	96,210	96,210	3,836	Hypermarket/Supercenter/Superstore	13	12.0%
5	Schwarz Unternehmens Treuhand KG	Germany	79,924 ^e	79,924 ^e	n/a	Discount Store	24	12.3%
6	The Kroger Company	U.S.	76,000	76,000	1,249	Supermarket	1	7.2%
7	The Home Depot, Inc.	U.S.	71,288	71,288	2,260	Home Improvement	7	1.9%
8	Costco Wholesale Corp.	U.S.	72,483	70,977	1,283	Cash & Carry/Warehouse Club	8	11.2%
9	Aldi GmbH & Company oHG	Germany	66,063 ^e	66,063 ^e	n/a	Discount Store	18	5.1%
10	Target Corp.	U.S.	64,948	62,884	2,214	Discount Department Store	1	6.1%
11	Rewe-Zentral AG	Germany	73,273	61,549 ^e	n/a	Supermarket	14	4.2%
12	Walgreen Company	U.S.	59,034	59,034	2,157	Drug Store/Pharmacy	3	12.7%
13	Groupe Auchan S.A.	France	58,094	56,831	1,095	Hypermarket/Supercenter/Superstore	12	6.1%
14	Seven & I Holdings Company, Ltd.	Japan	56,330	54,113	1,010	Convenience/Forecourt Store	4	ne
15	CVS Caremark Corp.	U.S.	87,472	48,990	3,212	Drug Store/Pharmacy	1	14.1%
16	Lowe's Companies, Inc.	U.S.	48,230	48,230	2,195	Home Improvement	2	9.4%
17	Aeon Company, Ltd.	Japan	52,151	47,975	91	Hypermarket/Supercenter/Superstore	10	8.1%
18	Centres Distributeurs E. Leclerc	France	47,567 ^e	47,567 ^e	n/a	Hypermarket/Supercenter/Superstore	6	4.8%
19	Edeka Zentrale AG & Company KG	Germany	49,363 ^e	47,389 ^e	n/a	Supermarket	1	4.9%
20	Sears Holdings Corp.	U.S.	46,770	46,770	99	Department Store	5	15.0%
21	Best Buy Company, Inc.	U.S.	45,015	45,015	1,033	Electronics Specialty	14	12.9%
22	ITM Développement International (Intermarché)	France	44,530 ^e	44,530 ^e	n/a	Supermarket	8	-2.4%
23	Safeway, Inc.	U.S.	44,104	43,222 ^e	965	Supermarket	2	4.4%
24	Casino Guichard-Perrachon S.A.	France	42,233	39,697	883	Hypermarket/Supercenter/Superstore	11	3.8%
25	Koninklijke Ahold N.V.	Netherlands	37,846	37,846	1,588	Supermarket	9	-8.8%
26	Woolworths Ltd.	Australia	37,175	36,002	1,391	Supermarket	2	11.6%
27	SuperValu Inc.	U.S.	44,564	34,664	-2,855	Supermarket	1	26.9%
28	Wesfarmers Ltd.	Australia	38,136	32,716	1,148	Supermarket	2	62.7%
29	J Sainsbury plc	U.K.	32,558	32,558	498	Supermarket	1	2.3%
30	The IKEA Group	Sweden	31,794	31,794	n/a	Other Specialty	37	13.4%
31	Rite Aid Corp.	U.S.	26,289	26,289	-2,915	Drug Store/Pharmacy	1	9.6%
32	WM Morrison Supermarkets plc	U.K.	26,312	26,166	833	Supermarket	1	24.1%
33	Delhaize Group	Belgium	27,991	25,192 ^e	705	Supermarket	7	-1.0%
34	Système U, Centrale Nationale	France	25,175 ^e	25,175 ^e	n/a	Supermarket	6	6.2%
35	Macy's, Inc.	U.S.	24,892	24,892	-4,803	Department Store	3	10.3%
36	Publix Super Markets, Inc.	U.S.	24,110	23,929	1,090	Supermarket	1	7.3%
37	Loblaw Companies Ltd.	Canada	29,080	22,208 ^e	524	Hypermarket/Supercenter/Superstore	1	4.6%
38	Mercadona, S.A.	Spain	21,016	21,016	472	Supermarket	1	16.3%
39	PPR S.A.	France	29,723	20,681	1,533	Other Specialty	80	1.2%
40	Migros-Genossenschafts Bund	Switzerland	23,856	20,055	649	Supermarket	3	6.8%
41	El Corte Inglés, S.A.	Spain	25,094	20,048	542	Department Store	5	3.5%
42	The TJX Companies, Inc.	U.S.	19,000	19,000	881	Apparel/Footwear Specialty	6	7.3%
43	Yamada Denki Company, Ltd.	Japan	18,718	18,718	332	Electronics Specialty	1	14.8%
44	Amazon.com, Inc.	U.S.	19,166	18,624	645	Non-Store	7	29.3%
45	J. C. Penney Company, Inc.	U.S.	18,486	18,486	572	Department Store	2	0.8%
46	Coop Italia	Italy	17,172 ^e	17,172 ^e	n/a	Supermarket	1	2.7%
47	Kingfisher plc	U.K.	18,158	16,806	373	Home Improvement	8	5.7%
48	Kohl's Corp.	U.S.	16,389	16,389	885	Department Store	1	9.8%
49	Louis Delhaize S.A.	Belgium	16,185 ^e	16,185 ^e	n/a	Hypermarket/Supercenter/Superstore	9	4.1%

*Group revenue and net income may include results from non-retail operations

**CAGR = Compound annual growth rate

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Top 250 global retailers 2008

Retail sales rank (FY08)	Name of company	Country of origin	2008 group revenue* (U.S. \$mil)	2008 retail sales (U.S. \$mil)	2008 group net income* (U.S. \$mil)	Dominant operational format	# Countries of Operation	2003-2008 Retail Sales CAGR**
50	Alimentation Couche-Tard Inc.	Canada	15,781	15,781	254	Convenience/Forecourt Store	2	29.1%
51	Marks & Spencer Group plc	U.K.	15,602	15,602	873	Department Store	39	1.8%
52	Coop Group	Switzerland	16,927	15,573 ^e	409	Supermarket	1	4.8%
53	AS Watson & Company, Ltd.	Hong Kong SAR	15,217	15,217	n/a	Drug Store/Pharmacy	36	18.1%
54	Inditex S.A.	Spain	15,194	15,048	1,842	Apparel/Footwear Specialty	73	19.2%
55	The Gap, Inc.	U.S.	14,526	14,526	967	Apparel/Footwear Specialty	7	-1.7%
56	H.E. Butt Grocery Company	U.S.	14,460 ^e	14,460 ^e	n/a	Supermarket	2	5.6%
57	Meijer, Inc.	U.S.	14,321 ^e	14,321 ^e	n/a	Hypermarket/Supercenter/Superstore	1	3.9%
58	Tengelmann Warenhandelsgesellschaft KG	Germany	14,293	14,293	n/a	Home Improvement	14	n/a
59	Staples, Inc.	U.S.	23,084	14,154 ^e	814	Other Specialty	22	8.4%
60	H & M Hennes & Mauritz AB	Sweden	13,821	13,821	2,388	Apparel/Footwear Specialty	33	12.9%
61	ICA AB	Sweden	13,971	13,771	265	Supermarket	5	5.8%
62	Toys "R" Us, Inc.	U.S.	13,724	13,724	211	Other Specialty	35	3.5%
63	Isetan Mitsukoshi Holdings Ltd.	Japan	14,267	13,723	56	Department Store	11	ne
64	LVMH Moët Hennessy-Louis Vuitton	France	25,297	13,660	3,411	Other Specialty	66	n/a
65	DSG International plc	U.K.	14,048	13,501	-368	Electronics Specialty	28	5.5%
66	Groupe Adeo	France	13,242 ^e	13,242 ^e	n/a	Home Improvement	9	16.2%
67	Empire Company Ltd.	Canada	13,256	13,035	242	Supermarket	1	5.9%
68	S Group	Finland	17,393	12,943	368	Supermarket	4	12.1%
69	Conad Consorzio Nazionale, Dettaglianti Soc. Coop. a.r.l.	Italy	12,885	12,885	n/a	Supermarket	2	5.9%
70	Otto (GmbH & Co KG)	Germany	14,611	12,812	464	Non-Store	30	-2.0%
71	Arcandor AG	Germany	29,112	12,640	-1,121	Non-Store	28	-10.9%
72	SPAR Österreichische Warenhandels-AG	Austria	12,484 ^e	12,484 ^e	n/a	Supermarket	7	7.2%
73	Alliance Boots GmbH	U.K.	29,604	12,305	174	Drug Store/Pharmacy	7	9.6%
74	Kesko Corp.	Finland	14,125	11,604	354	Home Improvement	8	7.5%
75	Dell Inc.	U.S.	61,101	11,529	2,478	Non-Store	Global	3.5%
76	Grupo Eroski	Spain	12,007 ^e	11,526 ^e	-142	Supermarket	3	11.4%
77	UNY Company, Ltd.	Japan	11,867	11,511 ^e	99	Convenience/Forecourt Store	2	0.2%
78	Dansk Supermarked A/S	Denmark	11,436	11,436	n/a	Discount Store	5	5.6%
79	John Lewis Partnership plc	U.K.	11,351	11,351	423	Supermarket	2	6.9%
80	Cencosud S.A.	Chile	11,956	11,226	325	Supermarket	5	45.6%
81	Metro Inc.	Canada	10,644	10,644	289	Supermarket	1	14.0%
82	Dollar General Corp.	U.S.	10,458	10,458	108	Discount Store	1	8.8%
83	Co-operative Group Ltd.	U.K.	17,367	10,371	209	Supermarket	1	7.5%
84	Office Depot, Inc.	U.S.	14,496	10,353 ^e	-1,479	Other Specialty	9	4.3%
85	Shinsegae Company, Ltd.	South Korea	10,278	10,278	524	Hypermarket/Supercenter/Superstore	2	11.3%
86	Home Retail Group plc	U.K.	10,444	10,263	-732	Other Specialty	2	ne
87	The Daiei, Inc.	Japan	10,377	10,214	-236	Hypermarket/Supercenter/Superstore	1	-9.1%
88	Reitangruppen AS	Norway	10,260	10,158 ^e	n/a	Discount	3	15.6%
89	Fa. Anton Schlecker	Germany	10,093 ^e	10,093 ^e	n/a	Drug Store/Pharmacy	13	4.6%
90	Bailian (Brilliance) Group	China	11,588	10,091 ^e	238	Supermarket	1	ne
91	Gome Home Appliance Group	China	10,091 ^e	10,091 ^e	n/a	Electronics Specialty	2	31.5%
92	Grupo Pão de Açúcar	Brazil	10,047	10,047	157	Hypermarket/Supercenter/Superstore	1	10.8%
93	BJ's Wholesale Club, Inc.	U.S.	10,027	9,802	135	Cash & Carry/Warehouse Club	1	8.3%
94	Jerónimo Martins, SGPS S.A.	Portugal	10,143	9,738	259	Discount Store	2	16.1%
95	J. Front Retailing Company, Ltd.	Japan	10,934	9,571	79	Department Store	1	ne
96	The Great Atlantic & Pacific Tea Company, Inc.	U.S.	9,516	9,516	140	Supermarket	1	-1.0%

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97	Lotte Shopping Company, Ltd.	South Korea	9,815	9,140 ^e	691	Department Store	5	22.6%
98	Takashimaya Company, Ltd.	Japan	9,732	9,126	119	Department Store	4	-0.7%
99	C&A Europe	Belgium/ Germany	9,107	9,107	n/a	Apparel/Footwear Specialty	18	4.7%
100	Limited Brands, Inc.	U.S.	9,043	9,043	220	Apparel/Footwear Specialty	2	0.2%
101	The Pantry, Inc.	U.S.	8,996	8,996	32	Convenience/Forecourt Store	1	26.5%
102	Shoppers Drug Mart Corp.	Canada	8,896	8,896	534	Drug Store/Pharmacy	1	9.2%
103	GameStop Corp.	U.S.	8,806	8,806	398	Other Specialty	19	41.0%
104	Organizac3on Soriana S.A. de C.V.	Mexico	8,672	8,672	156	Hypermarket/Supercenter/Superstore	1	21.7%
105	Army and Air Force Exchange Service (AAFES)	U.S.	8,877	8,422	376	Hypermarket/Supercenter/Superstore	35	2.1%
106	Kesa Electricals plc	U.K.	8,320	8,320	-187	Electronics Specialty	11	5.5%
107	X5 Retail Group N.V.	Russia	8,353	8,320	-2,138	Discount Store	3	ne
108	Nordstrom, Inc.	U.S.	8,573	8,272	401	Department Store	1	5.0%
109	Giant Eagle, Inc.	U.S.	8,150 ^e	8,150 ^e	n/a	Supermarket	1	11.5%
110	Menard, Inc.	U.S.	8,100	8,100	n/a	Home Improvement	1	6.2%
111	Whole Foods Market, Inc.	U.S.	7,954	7,954	115	Supermarket	3	20.4%
112	Canadian Tire Corp., Ltd.	Canada	8,611	7,837	353	Other Specialty	1	6.5%
113	Beisia Group	Japan	7,777	7,777 ^e	n/a	Home Improvement	1	n/a
114	Esselunga S.p.A.	Italy	7,758 ^e	7,758 ^e	n/a	Hypermarket/Supercenter/Superstore	1	7.5%
115	QuikTrip Corp.	U.S.	7,730 ^e	7,730 ^e	n/a	Convenience/Forecourt Store	1	10.5%
116	Edion Corp.	Japan	8,030	7,709	-135	Electronics Specialty	1	12.9%
117	Yodobashi Camera Company, Ltd.	Japan	7,692	7,692	n/a	Electronics Specialty	1	7.1%
118	Hudson's Bay Trading Company, L.P.	U.S.	7,591 ^e	7,591 ^e	n/a	Discount Department Store	2	ne
119	Ets Franz Colruyt S.A.	Belgium	8,988	7,431	436	Supermarket	4	9.0%
120	Winn-Dixie Stores, Inc.	U.S.	7,367	7,367	40	Supermarket	1	-7.1%
121	FDB (Coop Danmark A/S)	Denmark	7,367	7,328	36	Supermarket	1	ne
122	Oxylane Groupe (formerly D��cathlon Group)	France	7,307	7,307	n/a	Other Specialty	14	9.8%
123	Liberty Media LLC/QVC, Inc.	U.S.	10,084	7,303	3,835	Non-Store	7	8.4%
124	Bed Bath and Beyond Inc.	U.S.	7,208	7,208	425	Other Specialty	3	10.0%
125	Suning Appliance Company Ltd.	China	7,193	7,193	326	Electronics Specialty	1	52.6%
126	Family Dollar Stores, Inc.	U.S.	6,984	6,984	233	Discount Store	1	8.0%
127	Dillard's, Inc.	U.S.	6,988	6,831	-241	Department Store	1	-2.1%
128	Dairy Farm International Holdings Ltd.	Hong Kong SAR	6,733	6,733	333	Supermarket	10	14.3%
129	RaceTrac Petroleum Inc.	U.S.	6,680 ^e	6,680 ^e	n/a	Convenience/Forecourt Store	1	19.2%
130	Shoprite Holdings Ltd.	South Africa	6,677	6,611 ^e	227	Supermarket	17	17.4%
131	Casas Bahia SA	Brazil	6,524 ^e	6,524 ^e	n/a	Electronics Specialty	1	18.0%
132	Globus Holding GmbH & Company KG	Germany	6,500 ^e	6,500 ^e	n/a	Hypermarket/Supercenter/Superstore	3	8.0%
133	Ross Stores, Inc.	U.S.	6,486	6,486	305	Apparel/Footwear Specialty	2	10.6%
134	S.A.C.I. Falabella	Chile	7,268	6,410 ^e	465	Home Improvement	4	26.9%
135	dm-drogerie markt GmbH + Company KG	Germany	6,369 ^e	6,369 ^e	n/a	Drug Store/Pharmacy	10	10.8%
136	Apple Inc./Apple Stores	U.S.	32,479	6,315	4,834	Electronics Specialty	9	59.0%
137	Katz Group Inc.	Canada	6,278 ^e	6,278 ^e	n/a	Drug Store/Pharmacy	2	8.5%
138	Hy-Vee, Inc.	U.S.	6,200	6,200	n/a	Supermarket	1	8.1%
139	SHV Holdings N.V./Makro	Netherlands	16,616	6,159	2,123	Cash & Carry/Warehouse Club	8	8.1%
140	Sonae Distribui��o SGPS S.A.	Portugal	6,840	5,995	251	Hypermarket/Supercenter/Superstore	2	3.3%
141	Groupe Gal��ries Lafayette S.A.	France	7,434	5,947 ^e	n/a	Department Store	2	0.6%
142	Defense Commissary Agency (DeCA)	U.S.	5,800	5,800	n/a	Supermarket	15	2.9%
143	Pick n Pay Stores Ltd.	South Africa	5,848	5,789 ^e	123	Supermarket	6	11.2%

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144	Tokyu Corp.	Japan	13,042	5,782	120	Department Store	1	9.5%
145	Bic Camera Inc.	Japan	5,834	5,776	-13	Electronics Specialty	1	21.0%
146	AutoZone, Inc.	U.S.	6,523	5,769 °	642	Other Specialty	3	3.8%
147	Praktiker Bau- und Heimwerkermärkte Holding AG	Germany	5,748	5,748	11	Home Improvement	9	ne
148	Euroset Group	Russia	5,726	5,726	n/a	Electronics Specialty	7	72.8%
149	K's Holdings Corp.	Japan	5,742	5,684 °	103	Electronics Specialty	1	20.9%
150	Dirk Rossmann GmbH	Germany	5,665	5,665	n/a	Drug Store/Pharmacy	4	23.0%
151	Next plc	U.K.	5,925	5,584	548	Apparel/Footwear Specialty	31	5.4%
152	Fast Retailing Company, Ltd.	Japan	5,425	5,425	406	Apparel/Footwear Specialty	14	13.6%
153	OJSC "Magnit"	Russia	5,348	5,326	188	Convenience/Forecourt Store	1	60.3%
154	KF Gruppen	Sweden	5,501	5,288	16	Supermarket	1	ne
155	Blockbuster Inc.	U.S.	5,288	5,255	-374	Other Specialty	24	-2.0%
156	Foot Locker, Inc.	U.S.	5,237	5,237	-80	Apparel/Footwear Specialty	24	1.8%
157	OfficeMax Inc.	U.S.	8,267	5,232 °	-1,666	Other Specialty	7	1.4%
158	Celesio AG	Germany	32,117	5,230	-27	Drug Store/Pharmacy	8	6.0%
159	Eldorado LLC	Russia	5,223 °	5,223 °	n/a	Electronics Specialty	3	7.0%
160	PetSmart, Inc.	U.S.	5,065	5,065	193	Other Specialty	2	11.1%
161	Barnes & Noble, Inc.	U.S.	5,122	5,059	76	Other Specialty	1	-2.7%
162	Save Mart Supermarkets	U.S.	5,050 °	5,050 °	n/a	Supermarket	1	18.1%
163	Norma Lebensmittelfilialbetrieb, GmbH & Company KG	Germany	5,007 °	5,007 °	n/a	Discount Store	4	6.0%
164	Apoteket AB	Sweden	6,406	4,878	109	Drugstore/Pharmacy	1	2.3%
165	The Sherwin-Williams Company	U.S.	7,980	4,835	477	Home Improvement	6	6.9%
166	Massmart Holdings Ltd.	South Africa	4,855	4,806 °	144	Cash & Carry/Warehouse Club	13	15.8%
167	H2O Retailing Corp.	Japan	5,095	4,770	64	Department Store	1	ne
168	Controladora Comercial Mexicana S.A. de C.V.	Mexico	4,834	4,746	-778	Hypermarket/Supercenter/Superstore	1	8.8%
169	SPAR Group	South Africa	4,740	4,740	n/a	Supermarket	3	15.8%
170	Douglas Holding AG	Germany	4,720	4,715	143	Other Specialty	24	6.9%
171	Don Quijote Company, Ltd.	Japan	4,890	4,701	95	Discount Store	2	19.1%
172	Coop Norge A/S	Norway	4,710	4,698	35	Supermarket	1	ne
173	Casey's General Stores, Inc.	U.S.	4,688	4,688	86	Convenience/Forecourt Store	1	14.6%
174	Big Lots, Inc.	U.S.	4,645	4,645	152	Discount Store	1	2.2%
175	Dollar Tree, Inc.	U.S.	4,645	4,645	230	Discount Store	1	10.7%
176	Maxeda Retail Group B.V.	Netherlands	4,644	4,644	n/a	Home Improvement	12	-6.3%
177	NorgesGruppen ASA	Norway	8,819	4,644	137	Supermarket	1	16.1%
178	Wegmans Food Markets, Inc.	U.S.	4,620 °	4,620 °	n/a	Supermarket	1	7.2%
179	Neiman Marcus, Inc.	U.S.	4,601	4,601	143	Department Store	1	8.8%
180	Deichmann Group	Germany	4,591	4,591	n/a	Apparel/Footwear Specialty	18	8.2%
181	Kojima Company, Ltd.	Japan	4,598	4,577 °	-127	Electronics Specialty	1	-0.7%
182	Luxottica Group S.p.A.	Italy	7,653	4,575	581	Other Specialty	22	9.2%
183	Dalian Dashang Group	China	n/a	4,561 °	n/a	Department Store	1	21.3%
184	Albertson's LLC	U.S.	4,500 °	4,500 °	n/a	Supermarket	1	-33.8%
185	Life Corp.	Japan	4,616	4,498	54	Supermarket	1	4.1%
186	President Chain Store Corp.	Taiwan	4,632	4,482	114	Convenience/Forecourt Store	5	13.3%
187	China Resources Enterprise, Ltd.	Hong Kong SAR	8,300	4,441	380	Supermarket	2	28.7%
188	Bauhaus GmbH & Company KG	Germany	4,417 °	4,417 °	n/a	Home Improvement	14	2.9%
189	Groupe Vivarte	France	4,349	4,349	n/a	Apparel/Footwear Specialty	3	8.6%
190	FEMSA Comercio, S.A. de C.V.	Mexico	4,276	4,276	n/a	Convenience/Forecourt Store	1	23.7%
191	RadioShack Corp.	U.S.	4,225	4,225	192	Electronics Specialty	4	-1.9%

*Group revenue and net income may include results from non-retail operations

**CAGR = Compound annual growth rate

n/a = not available

ne = not in existence (created by merger or divestiture)

e = estimate

Top 250 global retailers 2008

Retail sales rank (FY08)	Name of company	Country of origin	2008 group revenue (U.S. \$mil)	2008 retail sales (U.S. \$mil)	2008 group net income* (U.S. \$mil)	Dominant operational format	# Countries of Operation	2003-2008 Retail Sales CAGR**
192	DCM Japan Holdings Company, Ltd.	Japan	4,253	4,212	50	Home Improvement	1	ne
193	East Japan Railway Company	Japan	26,970	4,150	1,894	Convenience/Forecourt Store	1	2.4%
194	Dick's Sporting Goods, Inc.	U.S.	4,130	4,130	-35	Other Specialty	1	22.9%
195	Sheetz, Inc.	U.S.	4,107 ^e	4,107 ^e	n/a	Convenience/Forecourt Store	1	12.3%
196	Shimamura Company, Ltd.	Japan	4,096	4,096	191	Apparel/Footwear Specialty	2	6.5%
197	Blokker Holding N.V.	Netherlands	4,088	4,088	228	Other Specialty	11	8.2%
198	Poslovni sistem Mercator, d.d.	Slovenia	3,985	3,950	60	Supermarket	5	14.0%
199	Migros Türk T.A.S.	Turkey	3,942	3,942	203	Supermarket	5	22.6%
200	Lojas Americanas S.A.	Brazil	3,886	3,886	83	Discount Department Store	1	29.2%
201	Heiwado Company, Ltd.	Japan	4,110	3,851	54	Hypermarket/Supercenter/Superstore	2	3.0%
202	Distribución y Servicio D&S S.A.	Chile	4,168	3,849	41	Hypermarket/Supercenter/Superstore	2	13.5%
203	Michaels Stores, Inc.	U.S.	3,817	3,817	-5	Other Specialty	2	4.3%
204	Associated British Foods plc/Primark	U.K.	16,249	3,814	771	Apparel/Footwear Specialty	3	20.8%
205	Gruppo PAM S.p.A.	Italy	3,871 ^e	3,793 ^e	n/a	Supermarket	1	3.5%
206	HORNBAACH-Baumarkt-AG Group	Germany	3,756	3,755	137	Home Improvement	9	4.8%
207	Jim Pattison Group	Canada	6,325	3,720 ^e	n/a	Supermarket	1	2.9%
208	Roundy's Supermarkets, Inc.	U.S.	3,900	3,705 ^e	n/a	Supermarket	1	8.6%
209	CP All plc	Thailand	3,966	3,698	70	Convenience/Forecourt Store	2	16.7%
210	MatsumotoKiyoshi Holdings Company, Ltd.	Japan	3,923	3,687 ^e	79	Drug Store/Pharmacy	1	6.4%
211	Arcadia Group Ltd.	U.K.	3,680	3,678	327	Apparel/Footwear Specialty	31	0.3%
212	Marui Group Company Ltd.	Japan	4,474	3,666	-87	Department Store	2	-3.6%
213	Ruddick Corp./Harris Teeter	U.S.	3,992	3,665	97	Supermarket	1	8.6%
214	Debenhams plc	U.K.	3,661	3,661	153	Department Store	16	0.3%
215	Izumiya Company Ltd.	Japan	3,696	3,643	10	Hypermarket/Supercenter/Superstore	1	1.0%
216	Kwik Trip, Inc.	U.S.	3,640	3,640	n/a	Convenience/Forecourt Store	1	17.1%
217	Stater Bros. Holdings Inc.	U.S.	3,741	3,640 ^e	41	Supermarket	1	5.7%
218	El Puerto de Liverpool, SAB de CV	Mexico	3,764	3,637	320	Department Store	1	11.9%
219	Advance Auto Parts, Inc.	U.S.	5,142	3,633 ^e	238	Other Specialty	3	4.4%
220	Raley's Inc.	U.S.	3,612 ^e	3,612 ^e	n/a	Supermarket	1	1.8%
221	MAXIMA GRUPĖ, UAB	Lithuania	3,607 ^e	3,607 ^e	n/a	Supermarket	4	23.3%
222	Joshin Denki Company, Ltd.	Japan	3,597	3,597	41	Electronics Specialty	1	8.6%
223	Iceland Foods Group Ltd.	U.K.	3,583	3,583	196	Supermarket	1	6.2%
224	Finiper S.p.a.	Italy	3,615	3,579 ^e	n/a	Hypermarket/Supercenter/Superstore	1	4.5%
225	O'Reilly Automotive, Inc.	U.S.	3,577	3,577	186	Other Specialty	1	18.8%
226	The Game Group plc	U.K.	3,571	3,571	155	Other Specialty	10	26.6%
227	Axfood AB	Sweden	4,863	3,543	113	Hypermarket/Supercenter/Superstore	1	-0.1%
228	Burlington Coat Factory Investments Holdings, Inc.	U.S.	3,571	3,542	-192	Department Store	2	4.5%
229	Abercrombie & Fitch Company	U.S.	3,540	3,540	272	Apparel/Footwear Specialty	3	15.7%
230	RONA Inc.	Canada	4,618	3,533	156	Home Improvement	1	16.3%
231	Dunnes Stores Ltd.	Rep. of Ireland	3,514 ^e	3,514 ^e	n/a	Department Store	3	3.0%
232	WinCo Foods LLC	U.S.	3,506 ^e	3,506 ^e	n/a	Supermarket	1	11.1%
233	Belk, Inc.	U.S.	3,499	3,499	-213	Department Store	1	9.1%
234	Lagardère Services S.A.	France	5,150	3,414	124	Other Specialty	30	1.0%
235	Wawa Inc.	U.S.	5,700 ^e	3,396 ^e	n/a	Convenience/Forecourt Store	1	11.6%
236	XXXLutz Group	Austria	3,384 ^e	3,384 ^e	n/a	Other Specialty	5	13.0%
237	Williams-Sonoma, Inc.	U.S.	3,361	3,361	30	Other Specialty	3	4.1%
238	The Maruetsu, Inc.	Japan	3,413	3,345 ^e	62	Supermarket	1	-0.8%
239	Signet Jewelers Ltd.	U.S.	3,344	3,344	-394	Other Specialty	2	4.6%

*Group revenue and net income may include results from non-retail operations

**CAGR = Compound annual growth rate

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e = estimate

Top 250 global retailers 2008

Retail sales rank (FY08)	Name of company	Country of origin	2008 group revenue* (U.S. \$mil)	2008 retail sales (U.S. \$mil)	2008 group net income* (U.S. \$mil)	Dominant operational format	# Countries of Operation	2003-2008 Retail Sales CAGR**
240	The Golub Corp. Price Chopper Supermarkets	U.S.	3,300 ^e	3,300 ^e	n/a	Supermarket	1	4.9%
241	BİM (Birleşik Mağazalar A.Ş.)	Turkey	3,296	3,296	88	Discount Store.	1	31.4%
242	HMV Group plc	U.K.	3,286	3,286	74	Other Specialty	7	1.8%
243	Compagnie Financière Richemont S.A.	Switzerland	7,718	3,282	1,533	Other Specialty	Global	10.6%
244	Valor Company, Ltd.	Japan	3,363	3,256 ^e	34	Supermarket	1	11.8%
245	Systembolaget	Sweden	3,271	3,254	119	Other Specialty	1	2.0%
246	Borders Group, Inc.	U.S.	3,275	3,242	-187	Other Specialty	3	-2.6%
247	Izumi Company, Ltd.	Japan	4,988	3,192 ^e	127	Hypermarket/Supercenter/Superstore	1	2.6%
248	Nonggongshang Supermarket Group Company Ltd.	China	3,139 ^e	3,139 ^e	n/a	Hypermarket/Supercenter/Superstore	1	19.1%
249	The Bon-Ton Stores, Inc.	U.S.	3,225	3,130	-170	Department Store	1	27.6%
250	Best Denki Company Ltd.	Japan	3,708	3,110	-30	Electronics Specialty	8	1.0%

*Group revenue and net income may include results from non-retail operations

**CAGR = Compound annual growth rate

n/a = not available

ne = not in existence (created by merger or divestiture)

e = estimate

Top 10 retain their leadership roles

Retail sales became a bit more concentrated in the hands of the world's 10 largest retailers in 2008. With combined sales approaching US\$1.2 trillion, the Top 10 garnered 30.2 percent of total Top 250 sales, up from 29.6 percent in 2007. Despite the struggling economy, half the group posted bigger sales increases in 2008 than in 2007. Tesco, Schwarz, and Costco enjoyed double-digit increases.

While the composition of the Top 10 was the same in 2008 as in the previous year, there was some movement in the ranks. Wal-Mart is still the undisputed leader, and Carrefour remained in second place, where it has been since 2000. Although Tesco's retail sales grew nearly three times faster than Metro's in 2008, Germany's largest retailer overtook the British retailer, winding up in third place in the dollar-denominated ranking. This was strictly due to the relative strength of the euro versus the pound in converting their 2008 sales into U.S. dollars.

Schwarz Group continued to move up the leader board, displacing Home Depot as number five on the list. Sales at Home Depot continued to decline for the second year in a row, dropping the company to seventh place. Target dropped two spots to the bottom of the list following a difficult year. The company's 2008 retail sales edged up just 2.3 percent.

Economic concentration of top 10 retailers, 2008

Top 250 Rank	Name of Company	Country of Origin	2008 Retail Sales (US\$mil)	2008 Retail Sales Growth
1	Wal-Mart	US	401,244	7.1%
2	Carrefour	France	127,958	5.9%
3	Metro	Germany	99,004	5.3%
4	Tesco	U.K.	96,210	14.9%
5	Schwarz	Germany	79,924	12.6%
6	Kroger	US	76,000	8.2%
7	Home Depot	US	71,288	-7.8%
8	Costco	US	70,977	12.5%
9	Aldi	Germany	66,063	7.1%
10	Target	US	62,884	2.3%
Top 10*			\$1,151,552	6.9%
Top 250*			\$3,818,830	6.3%
Top 10 Share of Total			30.2%	

*Sales-weighted, currency-adjusted composite growth rate

Source: Published company data and Planet Retail

Top 250 global retailers alphabetical listing

Abercrombie & Fitch Co.	229	Deichmann Group	180	J Sainsbury Plc	29	President Chain Store Corp.	186
Advance Auto Parts, Inc.	219	Delhaize Group	33	J. C. Penney Company, Inc.	45	Publix Super Markets, Inc.	36
Aeon Co., Ltd.	17	Dell Inc.	75	J. Front Retailing Co., Ltd.	95	QuikTrip Corporation	115
Albertson's LLC	184	Dick's Sporting Goods, Inc.	194	Jerónimo Martins, SGPS SA	94	RaceTrac Petroleum Inc.	129
Aldi GmbH & Co. oHG	9	Dillard's, Inc.	127	Jim Pattison Group	207	RadioShack Corporation	191
Alimentation Couche-Tard Inc.	50	Dirk Rossmann GmbH	150	John Lewis Partnership Plc	79	Raley's Inc.	220
Alliance Boots GmbH	73	Distribución y Servicio D&S S.A.	202	Joshin Denki Co., Ltd.	222	Reitangruppen AS	88
Amazon.com, Inc.	44	dm-drogerie markt	135	Katz Group Inc.	137	Rewe-Zentral AG	11
Apoteket AB	164	GmbH + Co. KG		Kesa Electricals plc	106	Rite Aid Corporation	31
Apple Inc./Apple Stores	136	Dollar General Corporation	82	Kesko Corporation	74	RONA Inc.	230
Arcadia Group Limited	211	Dollar Tree, Inc.	175	KF Gruppen	154	Ross Stores, Inc.	133
Arcandor AG	71	Don Quijote Co., Ltd.	171	Kingfisher plc	47	Roundy's Supermarkets, Inc.	208
Army and Air Force Exchange Service (AAFES)	105	Douglas Holding AG	170	Kohl's Corporation	48	Ruddick Corporation/Harris Teeter	213
AS Watson & Company, Ltd.	53	DSG International plc	65	Kojima Co., Ltd.	181	S Group	68
Associated British Foods plc/Primark	204	Dunnes Stores Ltd.	231	Koninklijke Ahold N.V.	25	S.A.C.I. Falabella	134
AutoZone, Inc.	146	East Japan Railway Company	193	Kroger Co.	6	Safeway, Inc.	23
Axfood AB	227	Edeka Zentrale AG & Co. KG	19	K's Holdings Corporation	149	Save Mart Supermarkets	162
Bailian (Brilliance) Group	90	Edion Corporation	116	Kwik Trip, Inc.	216	Schwarz Unternehmens Treuhand KG	5
Barnes & Noble, Inc.	161	El Corte Inglés, S.A.	41	Lagardère Services SA	234	Sears Holdings Corp.	20
Bauhaus GmbH & Co. KG	188	El Puerto de Liverpool, SAB de CV	218	Life Corporation	185	Seven & I Holdings Co., Ltd.	14
Bed Bath and Beyond Inc.	124	Eldorado LLC	159	Limited Brands, Inc.	100	Sheetz, Inc.	195
Beisia Group	113	Empire Company Limited	67	Loblaw Companies Limited	37	Sherwin-Williams Company	165
Belk, Inc.	233	Esselunga S.p.A.	114	Lojas Americanas S.A.	200	Shimamura Co., Ltd.	196
Best Buy Co., Inc.	21	Ets Franz Colruyt S.A.	119	Lotte Shopping Co., Ltd.	97	Shinsegae Co., Ltd.	85
Best Denki Co. Ltd.	250	Euroset Group	148	Louis Delhaize S.A.	49	Shoppers Drug Mart Corporation	102
Bic Camera Inc.	145	Fa. Anton Schlecker	89	Lowe's Companies, Inc.	16	Shoprite Holdings Ltd.	130
Big Lots, Inc.	174	Family Dollar Stores, Inc.	126	Luxottica Group S.p.A.	182	SHV Holdings N.V. / Makro	139
BIM (Bireşik Mağazalar A.Ş.)	241	Fast Retailing Co., Ltd.	152	LVMH Moët	64	Signet Jewelers Limited	239
BJ's Wholesale Club, Inc.	93	FDB (Coop Danmark A/S)	121	Hennessy-Louis Vuitton		Sonae Distribuição SGPS S.A.	140
Blockbuster Inc.	155	FEMSA Comercio, S.A. de C.V.	190	Macy's, Inc.	35	SPAR Group	169
Blokker Holding N.V.	197	Finiper S.p.a.	224	Marks & Spencer Group Plc	51	SPAR Österreichische Warenhandels-AG	72
Bon-Ton Stores, Inc.	249	Foot Locker, Inc.	156	Maruetsu, Inc.	238	Staples, Inc.	59
Borders Group, Inc.	246	Game Group Plc	226	Marui Group Co. Ltd.	212	Stater Bros. Holdings Inc.	217
Burlington Coat Factory Investments Holdings, Inc.	228	GameStop Corp.	103	Massmart Holdings Limited	166	Suning Appliance Co. Ltd.	125
C&A Europe	99	Gap, Inc.	55	MatsumotoKiyoshi Holdings Co., Ltd.	210	SuperValu Inc.	27
Canadian Tire Corporation, Limited	112	Giant Eagle, Inc.	109	Maxeda Retail Group B.V.	176	Systembolaget	245
Carrefour S.A.	2	Globus Holding GmbH & Co. KG	132	MAXIMA GRUPÉ, UAB	221	Système U, Centrale Nationale	34
Casas Bahia SA	131	Golub Corporation/Price Chopper Supermarkets	240	Meijer, Inc.	57	Takashimaya Company, Limited	98
Casey's General Stores, Inc.	173	Gome Home Appliance Group	91	Menard, Inc.	110	Target Corp.	10
Casino Guichard-Perrachon S.A.	24	Great Atlantic & Pacific Tea Company, Inc.	96	Mercadona, S.A.	38	Tengelmann Warenhandelsgesellschaft KG	58
Celesio AG	158	Groupe Adeo	66	Metro AG	3	Tesco plc	4
Cencosud S.A.	80	Groupe Auchan SA	13	Metro Inc.	81	TJX Companies, Inc.	42
Centres Distributeurs E. Leclerc	18	Groupe Galeries Lafayette SA	141	Michaels Stores, Inc.	203	Tokyu Corporation	144
China Resources Enterprise, Limited	187	Groupe Vivarte	189	Migros Türk T.A.S.	199	Toys "R" Us, Inc.	62
Compagnie Financière Richemont SA	243	Grupo Eroski	76	Migros-Genossenschafts Bund	40	UNY Co., Ltd.	77
Conad Consorzio Nazionale, Dettaglianti Soc. Coop. a.r.l.	69	Grupo Pão de Açúcar	92	Neiman Marcus, Inc.	179	Valor Co., Ltd.	244
Controladora Comercial Mexicana S.A. de C.V.	168	Gruppo PAM S.p.A.	205	Next plc	151	Walgreen Co.	12
Coop Group	52	H & M Hennes & Mauritz AB	60	Nonggongshang Supermarket Group Co. Ltd.	248	Wal-Mart Stores, Inc.	1
Coop Italia	46	H.E. Butt Grocery Company	56	Nordstrom, Inc.	108	Wawa Inc.	235
Coop Norge A/S	172	H2O Retailing Corporation	167	NorgesGruppen ASA	177	Wegmans Food Markets, Inc.	178
Co-operative Group Ltd.	83	Heiwado Co., Ltd.	201	Norma Lebensmittelfilialbetrieb, GmbH & Co. KG	163	Wesfarmers Limited	28
Costco Wholesale Corp.	8	HMV Group plc	242	Office Depot, Inc.	84	Whole Foods Market, Inc.	111
CP All Plc	209	Home Depot, Inc.	7	OfficeMax Incorporated	157	Williams-Sonoma, Inc.	237
CVS Caremark Corp.	15	Home Retail Group plc	86	OJSC "Magnit"	153	WinCo Foods LLC	232
Daiei, Inc.	87	HORNBACH-Baumarkt-AG Group	206	O'Reilly Automotive, Inc.	225	Winn-Dixie Stores, Inc.	120
Dairy Farm International Holdings Limited	128	Hudson's Bay Trading Company, L.P.	118	Organizacion Soriana S.A. de C.V.	104	Woolworths Limited	26
Dalian Dashang Group	183	Hy-Vee, Inc.	138	Otto (GmbH & Co KG)	70	X5 Retail Group N.V.	107
Dansk Supermarked A/S	78	ICA AB	61	Oxylane Groupe (formerly Décathlon Group)	122	XXXLutz Group	236
DCM Japan Holdings Co., Ltd.	192	Iceland Foods Group Ltd.	223	Pantry, Inc.	101	Yamada Denki Co., Ltd.	43
Debenhams plc	214	IKEA Group	30	PetSmart, Inc.	160	Yodobashi Camera Co., Ltd.	117
Defense Commissary Agency (DeCA)	142	Inditex S.A.	54	Pick n Pay Stores Limited	143		
		Isetan Mitsukoshi Holdings Ltd.	63	Poslovni sistem Mercator, d.d.	198		
		ITM Développement International (Intermarché)	22	PPR S.A.	39		
		Izumi Co., Ltd.	247	Praktiker Bau- und Heimwerkermärkte Holding AG	147		
		Izumiya Co. Ltd.	215				

Global Powers of Retailing

geographical analysis

For purposes of geographical analysis, companies are assigned to a region based on their headquarters location, which may not always coincide with where they derive the majority of their sales. Although many companies derive sales from outside their region, 100 percent of each company's sales are accounted for in that company's region.

U.S. share slides with the dollar

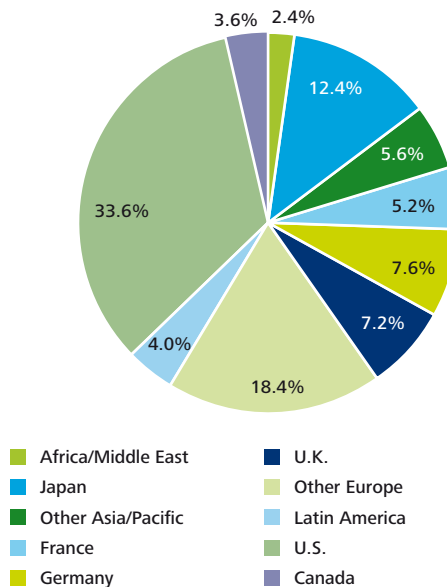
The number of U.S. companies in the Top 250 and their collective share of Top 250 sales continued to drop in 2008. Eighty-four U.S. retailers (down from 87 in 2007 and 93 in 2006) captured 41.2 percent of Top 250 sales, versus 42.1 percent in 2007. Part of this decline resulted from the falling U.S. dollar relative to many other major currencies, allowing more non-U.S. retailers to "make the cut." However, U.S. retailers also experienced significantly weaker growth compared with other countries and regions as the U.S. economy deteriorated ahead of the rest of the world. Aggregate retail sales for the U.S. companies increased 4.5 percent, down from 6.6 percent in 2007. By comparison, composite sales rose 7.2 percent for the European companies on a currency-adjusted basis as economic momentum remained fairly high in Europe during the first half of the year.

The Asia/Pacific region posted above-average composite retail sales growth of 7.3 percent in 2008, despite Japan's anemic 1.4 percent year-over-year growth. Nevertheless, this is only about half the region's robust 13.9 percent growth rate the year before. Many of the Chinese retailers continued to grow at double-digit rates in 2008. Also boosting the overall growth rate for the region was Wesfarmers of Australia, whose acquisition of Coles Group helped advance the company's 2008 retail sales by 63 percent.

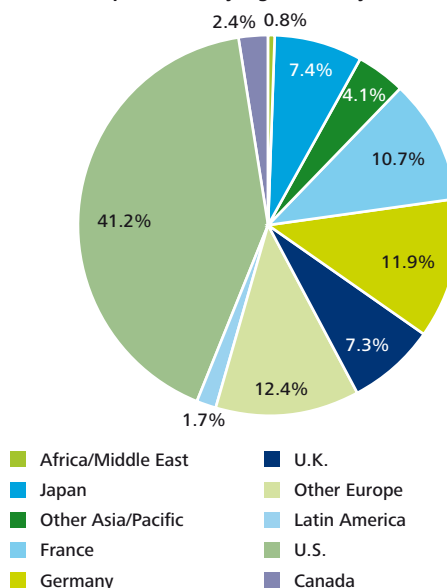
Japan represented the second largest group of retailers by country of origin (after the United States). Following several years of decline, Japan's share of Top 250 companies and sales rebounded in 2008. Of the 24 companies that joined or rejoined the Top 250 in 2008, nine are based in Japan (see Top 250 Newcomers list). Again, it should be noted, that Japan's resurgence in the rankings has much more to do with the strength of the yen against the dollar and relatively little to do with real sales growth among the Japanese retailers.

Composite retail sales jumped 26.3 percent for Latin America's Top 250 retailers. Acquisitions by Chile's Cencosud and Falabella, Mexico's Soriana, and Brazil's Pão de Açúcar, among others, contributed to the region's leading growth rate, as did strong organic growth. All six Top 250 retailers from the Africa/Middle East region also continued to perform well above average in 2008.

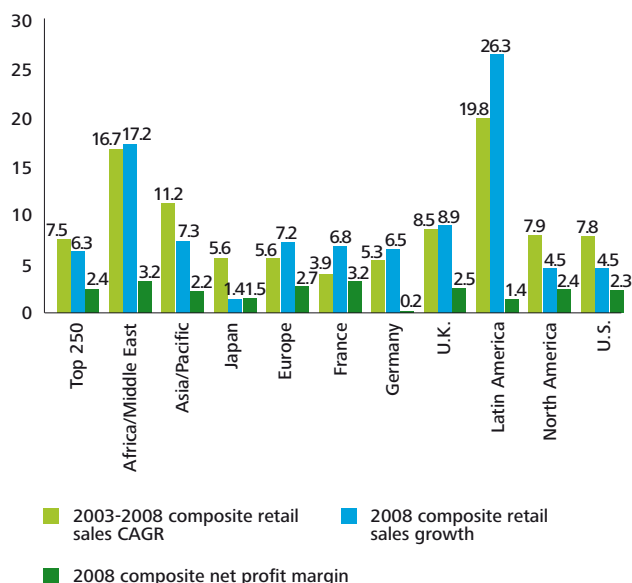
Share of Top 250 retailers by region/country, 2008



Share of Top 250 sales by region/country, 2008



Sales growth and profitability by region/country (%)



Source: Published company data and Planet Retail

Price-cutting squeezes profits

The bottom line fared considerably worse than the top line in 2008 for retailers in all regions except Africa/Middle East as companies responded to the price-consciousness-raising recession. The composite net profit margin for European retailers dropped to 2.7 percent from 4.1 percent in 2007. Profitability plunged to just 0.2 percent for the German companies from a subpar 1.8 percent in 2007. This is somewhat misleading in both years, however, as 12 of Germany's 19 Top 250 retailers are private companies that did not provide profit figures.

Latin America, which was the most profitable region in 2007 with a composite net profit margin of 5.3 percent, had the lowest composite profitability in 2008, at 1.4 percent. Almost all of the retailers in this region posted lower profit margins in 2008. However, the poor composite result is largely due to troubled Mexican retailer Controladora Comercial Mexicana, whose net profit margin plunged from 5.1 percent to -16.1 percent. The company defaulted on its debt in October 2008 after the global credit crisis sparked massive losses on extensive derivatives bets. The retailer has since entered a restructuring process similar to Chapter 11.

The profitability of North American retailers, who faced an extremely challenging consumer environment throughout 2008, also deteriorated sharply. For the region as a whole, the composite net profit margin dropped to 2.4 percent from 3.6 percent in 2007. One-quarter of the U.S. retailers that disclosed their profitability operated at a loss in 2008.

European retailers most international in scope

Globalization gained further ground in 2008. Foreign operations continued to account for a larger share of sales, reaching 22.9 percent of total Top 250 retail sales in 2008, up from 21.3 percent in 2007. The average number of countries of operation also edged up slightly to 6.9 from 6.8, not including two retailers – Richemont and Dell – that are truly global in scope.

European retailers remained the most globally active, operating in an average 11.7 countries. French and German retailers, by far the largest companies on average, generated over 40 percent of their sales from foreign operations. Latin American retailers were the least likely to operate internationally, doing business in just 1.8 countries, on average. Seven of the 10 retailers in this region had no international operations.

Most North American retailers do not have significant foreign operations, lagging well behind their European counterparts. Over half – 49 – of the 93 North American retailers among the Top 250 had not expanded beyond their own borders in 2008. Only 13.4 percent of the region's combined retail sales took place outside their home countries, but this was up from 11.8 percent of sales in 2007. By way of contrast, just 20 percent of the European retailers were single-country operators.

In the Asia/Pacific region – and Japan, in particular – foreign operations generated a relatively small share of overall sales. In 2008, nearly two-thirds of the Japanese retailers did business only in Japan. Retailers in Africa and the Middle East have expanded well outside their home countries, but the vast majority of their sales, 91.8 percent, still come from domestic operations.

Region/country profiles

	# companies	Average 2008 retail sales (U.S. \$mil)	Average # countries 2008	% Retail sales from foreign operations 2008
Top 250*	250	\$15,275	6.9	22.9%
Africa/Middle East	6	\$4,864	7.5	8.2%
Asia/Pacific	45	\$9,798	3.4	11.9%
Japan	31	\$9,134	2.6	8.5%
Europe*	96	\$16,872	11.7	36.2%
France	13	\$31,532	21.8	41.0%
Germany	19	\$23,988	14.6	42.6%
U.K.	18	\$15,591	11.8	21.5%
Latin America	10	\$6,327	1.8	13.1%
North America*	93	\$17,911	4.3	13.4%
U.S.*	84	\$18,736	4.6	13.3%

*Average number of countries excludes Richemont (Switzerland) and Dell (US), whose near-global coverage would skew the average
Source: Published company data and Planet Retail

Top 10 retailers by region

There was very little change among the top 10 European retailers in 2008. The names remained the same, however Metro surpassed Tesco to become the region's second-largest player behind Carrefour.

Although nine of the top 10 North American retailers were the same as in 2007, the deck was shuffled. Best Buy seized the number ten spot, replacing Safeway, which has been falling in the ranks since 2000. Declining sales at The Home Depot dropped the company to third place behind Kroger. Costco overtook Target, and CVS traded places with Sears Holdings. CVS's acquisition of Longs Drug Stores in October 2008 propelled the drugstore chain to the number seven spot from ninth place in 2007.

The Asia/Pacific region experienced the biggest shake-up among its top 10 retailers in 2008. Although Seven & I Holdings, AEON, and Woolworths remained in the top three spots, there was considerable movement in the rest of the rankings. Wesfarmers acquisition of Coles Group in November 2007 boosted the company to fourth place and removed Coles from the list as a separate entity. The merger of Japan's Isetan and Mitsukoshi created the region's number seven retailer, Isetan Mitsukoshi Holdings. Given a boost by the strong yen, two Japanese companies, UNY Co. and Daiei, returned to the region's top 10 in 2008 making a total of six retailers representing Japan – double the number in 2007.

Strong growth also continues to propel Latin American retailers up the Top 250 rankings. In 2008, the region was represented by a total of 10 companies, up from eight in 2007. Brazil's Lojas Americanas and Chile's Distribución y Servicio joined the ranks of the world's largest retailers. D&S, however, is a short-lived addition, as the company was acquired by Wal-Mart in February 2009. Chile's Cencosud displaced Brazil's Pão de Açúcar in the top spot, dropping the Brazilian retailer to second place within the region.

The Africa/Middle East region is represented by six Top 250 companies. BİM from Turkey is a Top 250 newcomer as a result of a 32 percent increase in its store count in 2008. It is the second Turkish retailer among the Top 250 along with Migros Türk. The other four companies on the list are headquartered in South Africa. Against a background of prolonged recession, South Africa's Shoprite, the region's leading retailer, increased its lead over number-two Pick n Pay by deliberately reducing gross margins and introducing more affordable products. Metcash Africa, a Top 250 retailer from this region in 2007, did not make the cut in 2008.

Top 10 retailers by region, 2008

Top Region rank	250 Rank	Company	Retail Sales (US\$ millions)	Country of Origin
Europe				
1	2	Carrefour	\$127,958	France
2	3	Metro	\$99,004	Germany
3	4	Tesco	\$96,210	U.K.
4	5	Schwarz	\$79,924	Germany
5	9	Aldi	\$66,063	Germany
6	11	Rewe	\$61,549	Germany
7	13	Auchan	\$56,831	France
8	18	E. Leclerc	\$47,567	France
9	19	Edeka Zentrale	\$47,389	Germany
10	22	ITM (Intermarché)	\$44,085	France
North America				
1	1	Wal-Mart	\$401,244	U.S.
2	6	Kroger	\$76,000	U.S.
3	7	Home Depot	\$71,288	U.S.
4	8	Costco	\$70,977	U.S.
5	10	Target	\$62,884	U.S.
6	12	Walgreens	\$59,034	U.S.
7	15	CVS Caremark	\$48,990	U.S.
8	16	Lowe's	\$48,230	U.S.
9	20	Sears Holdings	\$46,770	U.S.
10	21	Best Buy	\$45,015	U.S.
Asia/Pacific				
1	14	Seven & I Holdings	\$54,113	Japan
2	17	AEON	\$47,975	Japan
3	26	Woolworths	\$36,002	Australia
4	28	Wesfarmers	\$32,716	Australia
5	43	Yamada Denki	\$18,718	Japan
6	53	AS Watson	\$15,217	Hong Kong SAR
7	63	Isetan Mitsukoshi Holdings	\$13,723	Japan
8	77	UNY	\$11,511	Japan
9	85	Shinsegae	\$10,278	S. Korea
10	87	Daiei	\$10,214	Japan
Latin America				
1	80	Cencosud	\$11,226	Chile
2	92	Grupo Pão de Açúcar	\$10,047	Brazil
3	104	Soriana	\$8,672	Mexico
4	131	Casas Bahia	\$6,524	Brazil
5	134	Falabella	\$6,410	Chile
6	168	Comercial Mexicana	\$4,746	Mexico
7	190	FEMSA Comercio	\$4,276	Mexico
8	200	Lojas Americanas	\$3,886	Brazil
9	202	D&S	\$3,849	Chile
10	218	El Puerto de Liverpool	\$3,637	Mexico
Africa/Middle East				
1	130	Shoprite Holdings	\$6,611	S. Africa
2	143	Pick 'n Pay	\$5,789	S. Africa
3	166	Massmart	\$4,806	S. Africa
4	169	SPAR	\$4,740	S. Africa
5	199	Migros	\$3,942	Turkey
6	241	BİM	\$3,296	Turkey

Global Powers of Retailing

product sector analysis

The Global Powers of Retailing analyzes retail performance by primary retail product sector, as well as by geography. Four sectors are used for analysis: Fast-Moving Consumer Goods, Fashion Goods, Hardlines & Leisure Goods and Diversified. A company is assigned to a specific product sector if more than half of its sales are derived from that broadly defined product category. If none of the three specific product sectors account for at least 50 percent of sales, the company is considered to be diversified.

Food is focus for most Top 250 retailers

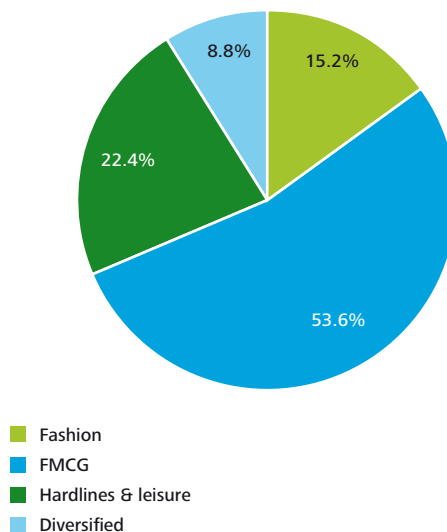
Retailers of food and other fast-moving consumer goods (FMCG) continue to dominate the Top 250, gaining four companies, compared with 2007's total of 130. In the aggregate, the 134 FMCG retailers accounted for over half of Top 250 companies and more than two-thirds of Top 250 sales. In addition to being the most numerous, these retailers are also the biggest, with average 2008 retail sales of US\$19.3 billion. However, this group is the least geographically dispersed sector, concentrating their efforts in an average of 4.5 countries. Nevertheless, foreign operations generated a relatively large 21.7 percent share of FMCG retailers' overall sales.

Despite the tough economy, people need to eat. And in difficult economic times, more consumers switch from eating out to eating at home. As a result, the fast-moving consumer goods sector enjoyed far higher composite year-over-year sales growth than the other product groups at 8.6 percent. However, profitability suffered along with the rest of the retail industry as thrifty consumers looked for bargains. The sector's composite net profit margin dropped from 3.0 percent in 2007 to 2.2 percent in 2008.

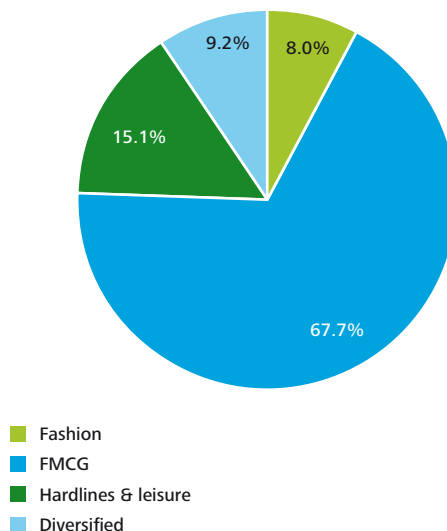
The collapse of the housing market that had boosted demand for homegoods in recent years took a toll on the hardlines & leisure goods sector in 2008. The 56 retailers comprising this group saw sales growth shrink by more than half to 3.1 percent from 6.8 percent in 2007. The composite net profit margin dropped from 4.0 percent to 2.7 percent. Six of 10 electronics specialty retailers had negative earnings.

Global expansion has become an important growth strategy for many retailers of hardlines & leisure goods. In 2008, the companies in this sector operated in 9.1 countries, on average. As a group, they generated nearly one-quarter of their total sales from foreign operations.

Share of Top 250 retailers by product sector, 2008 (share of total)



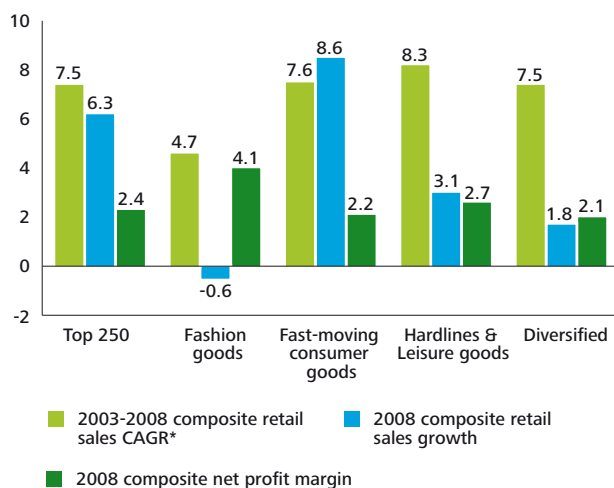
Share of Top 250 sales by product sector, 2008 (share of sales)



Fashion retailers have suffered the most in the economic downturn. In 2008, composite retail sales growth for this group was negative, at -0.6 percent. Profitability plummeted nearly in half to 4.1 percent. However, the historically high-margin fashion sector's composite net profit margin was still the highest of all the product groups.

With 38 companies, the fashion sector accounted for 15.2 percent of Top 250 companies but just 8 percent of Top 250 sales. Although they remain the smallest companies, with average sales of US\$8 billion, they have increased in stature over the years, benefiting from continued global expansion. Retailers in this group operated in an average 12.6 countries in 2008, the most of any sector and a significant increase from 10.1 countries in 2007. They also posted the highest share of sales from operations outside their home countries.

Sales growth and profitability by product sector (%)



*Compound annual growth rate

Source: Published company data and Planet Retail

Diversified retailers, who sell a broad product offering and often operate a range of formats, were represented by 22 companies in 2008. German retailers Metro and Tengelmann were both reclassified in 2008 from the FMCG sector to the diversified sector. Metro sold its Extra supermarket chain to Rewe, while Tengelmann diluted its stake in the A&P supermarket chain in the United States. In both cases, fast-moving consumer goods no longer comprised the majority of these retailers' sales. The addition of these two companies to the diversified group helped to boost its average retail sales to over \$16 billion, but sales growth was anemic, at 1.8 percent, as was the group's net profit margin, at 2.1 percent.

Product sector profiles

	# companies	Average 2008 retail sales (U.S. \$mil)	Average # countries 2008	% retail sales from foreign operations 2008
Top 250*	250	\$15,275	6.9	22.9%
Fashion Goods*	38	\$8,027	12.6	26.2%
Fast-Moving Consumer Goods	134	\$19,283	4.5	21.7%
Hardlines & Leisure Goods*	56	\$10,300	9.1	24.8%
Diversified	22	\$16,049	7.2	25.3%

*Average number of countries excludes Richemont (Fashion Goods) and Dell (Hardlines), whose near-global coverage would skew the average
Source: Published company data and Planet Retail

Top 10 retailers by product sector

Much of the change in rank among the top 10 retailers by primary product sector is the result of changes in how a few retailers were classified. Metro's reclassification removed it from the top 10 FMCG retailers, making room for Auchan, which joined the FMCG sector's top 10 at the bottom of the list. All top 10 FMCG retailers recorded solid growth in 2008.

Among fashion retailers, Macy's maintained the top spot in 2008, despite a 5.4 percent drop in sales. Declining sales lowered JCPenney into third place. The addition of the merged Isetan Mitsukoshi Holdings company bumped Limited Brands from the top 10 fashion retailers. Multi-national specialty apparel retailers Inditex and H&M continued to rise in the ranks, while the Gap continued to fall.

Declining sales plagued five of the top 10 hardlines & leisure goods retailers in 2008: Home Depot, Lowe's, PPR, Kingfisher and Toys "R" Us. UK-based DSG fell out of the top 10 from seventh place in 2007 – a combination of negative sales growth and a weak British pound. Japanese electronics retailer Yamada Denki and Amazon.com, both of which joined this sector's leader board in 2007, each moved up two places. Staples returned to the top 10 in the number nine position.

Metro took over the top spot in the diversified group. Target, Sears Holdings, and El Corte Inglés moved to second, third, and fourth place, respectively. Meanwhile, Marks & Spencer, fourth last year, is no longer considered part of this group. The company was reassigned in 2008 as primarily a retailer of fast-moving consumer goods. Tengelmann, another reclassified FMCG retailer, occupies fifth place but will likely move up as 2008 sales reflect only eight months of operating results (In 2008, the company changed its fiscal year end from the end of April to December 31, resulting in a short financial year). Joining the diversified top 10 for the first time is U.S.-based Hudson's Bay Trading Company. HBTC formed in July 2008 as the holding company for the retail assets of NRDC Equity Partners. NRDC acquired Canada's Hudson's Bay Company and consolidated it with Lord & Taylor and Fortunoff, which has since been liquidated.

Top 10 Retailers by product sector, 2008

Top Sector	250 rank	rank	Company	Retail sales (U.S. \$ millions)	Country of origin
Top 10 fast-moving consumer goods retailers, 2008					
1	1		Wal-Mart	\$401,244	U.S.
2	2		Carrefour	\$127,958	France
3	4		Tesco	\$96,210	U.K.
4	5		Schwarz	\$79,924	Germany
5	6		Kroger	\$76,000	U.S.
6	8		Costco	\$70,977	U.S.
7	9		Aldi	\$66,063	Germany
8	11		Rewe	\$61,549	Germany
9	12		Walgreens	\$59,034	U.S.
10	13		Auchan	\$56,831	France
Top 10 fashion goods retailers, 2008					
1	35		Macy's	\$24,892	U.S.
2	42		TJX	\$19,000	U.S.
3	45		J.C. Penney	\$18,486	U.S.
4	48		Kohl's	\$16,389	U.S.
5	54		Inditex	\$15,048	Spain
6	55		Gap	\$14,526	U.S.
7	60		H&M	\$13,821	Sweden
8	63		Isetan Mitsukoshi Holdings	\$13,723	Japan
9	64		LVMH	\$13,660	France
10	71		Arcandor	\$12,640	Germany
Top 10 hardlines & leisure goods retailers, 2008					
1	7		Home Depot	\$71,288	U.S.
2	16		Lowe's	\$48,230	U.S.
3	21		Best Buy	\$45,015	U.S.
4	30		IKEA	\$31,794	Sweden
5	39		PPR	\$20,681	France
6	43		Yamada Denki Co.	\$18,718	Japan
7	44		Amazon.com	\$18,624	U.S.
8	47		Kingfisher	\$16,806	U.K.
9	59		Staples	\$14,154	U.S.
10	62		Toys "R" Us	\$13,724	U.S.
Top 10 diversified retailers, 2008					
1	3		Metro	\$99,004	Germany
2	10		Target	\$62,884	U.S.
3	20		Sears Holdings	\$46,770	U.S.
4	41		El Corte Inglés	\$20,048	Spain
5	58		Tengelmann	\$14,293	Germany
6	70		Otto Group	\$12,812	Germany
7	74		Kesko	\$11,604	Finland
8	95		J. Front Retailing	\$9,571	Japan
9	97		Lotte Shopping	\$9,140	S. Korea
10	118		Hudson's Bay Trading	\$7,591	U.S.

Diversification pays dividends in 2008

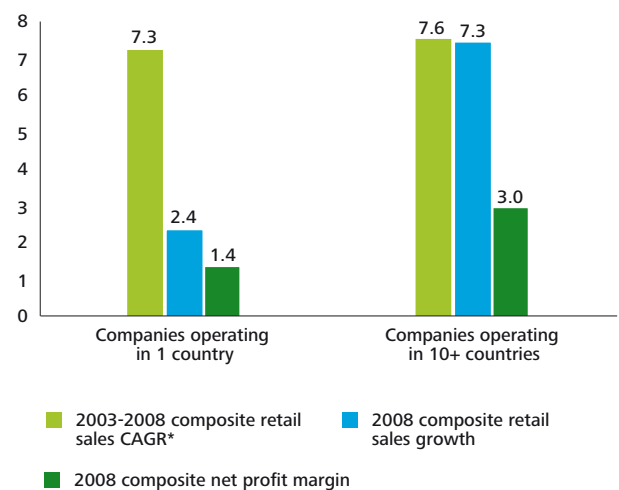
An analysis of the Top 250 by level of globalization and level of format diversification shows that diversification paid dividends in 2008. Higher growth rates and better profitability were enjoyed by retailers that were more globally ambitious as well as those that operated a more diverse portfolio of formats. Diversification may play an especially important role in a difficult economic environment as a way to mitigate the risk inherent in a single geography or a single way of doing business.

In 2008, retailers with a more global base of operations performed better than those with no international operations. Among the Top 250, 100 retailers were single-country operators while 50 operated in 10 or more countries. The retailers operating in 10-plus countries grew sales a full percentage point faster than the single-country operators in 2008. Their return on sales was more than double that of the retailers that operated exclusively in their home country.

In order to maintain an aggressive growth trajectory, most of the world's largest retailers have developed multiple sales formats. In 2008, 131 of the Top 250 operated with some level of format diversification, compared with 119 single-format operators. However, even companies with a diverse portfolio of retail concepts tended to have one format that accounted for the majority of their sales. Only 34 Top 250 companies did not have a dominant format.

Unlike 2007, where more focused retailers demonstrated better sales growth and profitability, the opposite was true in 2008. Multi-format companies grew sales much faster than their single-format competitors. Most of the single-format retailers tend to be specialty or department store retailers selling predominantly discretionary merchandise. In the difficult economy that characterized fiscal 2008, these companies suffered disproportionately as consumers cut back their discretionary spending.

Sales growth and profitability by level of globalization (%)



*Compound annual growth rate

Source: Published company data and Planet Retail

While format diversification boosted sales in 2008, retailers operating too many concepts and formats can experience diseconomies of scale resulting from increased marketing and operational complexity. This may be one reason why the most diversified group was the least profitable. Also worth noting was that retailers that operated a more diverse format portfolio were larger and more global in their operations than those that relied primarily on a single format.

Sales growth and profitability by level of format diversification

	# companies	Average 2008 retail sales (US\$mil)	2003-2008 composite retail sales CAGR*	2008 composite retail sales growth	2008 composite net profit margin	Average # countries 2008	% retail sales from foreign operations 2008
Single-Format Retailers**	119	\$10,279	7.9%	4.9%	2.5%	5.9	17.9%
Multi-Format Retailers with Single Format >50% of Sales	97	\$20,349	7.3%	6.3%	2.6%	8.1	25.2%
Multi-Format Retailers with No Single Format >50% of Sales	34	\$18,289	7.1%	9.7%	1.7%	7.2	25.1%

*Compound annual growth rate

** These companies may operate through store and non-store channels

Source: Published company data and Planet Retail

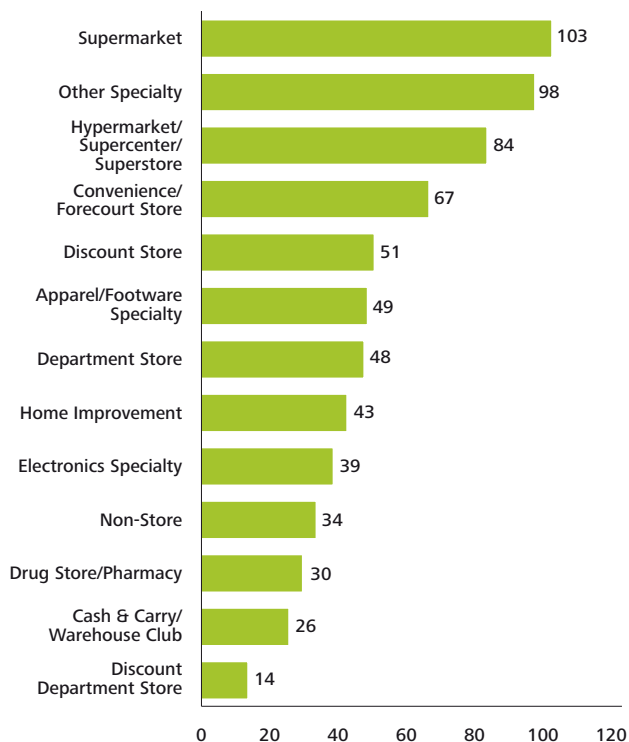
Top 250 newcomers

Supermarket resurgence

Supermarkets staged a comeback among the Top 250 retailers in 2008 after several years on the wane. Of 24 newcomers to 2008's Top 250 list, 14 operated supermarkets, including nine where it was the dominant format (see Top 250 newcomers, below). Although the supermarket has been displaced somewhat in recent years by the hypermarket, hard discount format, and convenience store, it remained the most common store format, operated by 103 of the Top 250 retailers.

Home improvement stores, especially big-box formats, have become increasingly prominent in the global marketplace. In 2008, 43 Top 250 retailers operated a home improvement chain, up from 32 retailers in 2005. On the decline is the freestanding drug store/pharmacy. Fewer Top 250 retailers operate this format than did so in the past, with supermarkets, hypermarkets, and mass merchants increasingly providing in-store pharmacies.

Retail formats operated by Top 250 retailers in 2008



Source: Published company data and Planet Retail

Of the 24 retailers that joined the ranks of the Top 250 in 2008, it is perhaps somewhat surprising that nine of them are Japanese companies. However, as noted earlier, this is primarily due to the strength of the yen relative to the dollar during the 2008 fiscal year. Given that food retailers grew faster than other types in 2008, it is perhaps not so surprising that 17 of the newcomers are involved in the food sector, operating supermarkets, as noted and as well as other food store formats. Three of these companies – FDB (Coop Danmark), KF Gruppen, and Coop Norge – are “new” only because they operated independently as national cooperatives in 2008. For several years prior, they were subsumed under Coop Norden, which has now converted into a pure purchasing company.

Top 250 newcomers, 2008

Top 250 rank	Name of company	Country of origin	Dominant format
63	Isetan Mitsukoshi Holdings Ltd.	Japan	Department Store
96	The Great Atlantic & Pacific Tea Company, Inc.	U.S.	Supermarket
118	Hudson's Bay Trading Company, L.P.	U.S.	Discount Department Store
121	FDB (Coop Danmark A/S)	Denmark	Supermarket
154	KF Gruppen	Sweden	Supermarket
171	Don Quijote Co., Ltd.	Japan	Discount Store
172	Coop Norge A/S	Norway	Supermarket
192	DCM Japan Holdings Co., Ltd.	Japan	Home Improvement
200	Lojas Americanas S.A.	Brazil	Discount Department Store
202	Distribución y Servicio D&S S.A.	Chile	Hypermarket/Supercenter/Superstore
215	Izumiya Co. Ltd.	Japan	Hypermarket/Supercenter/Superstore
216	Kwik Trip, Inc.	U.S.	Convenience/Forecourt Store
221	MAXIMA GRUPĖ, UAB	Lithuania	Supermarket
222	Joshin Denki Co., Ltd.	Japan	Electronics Specialty
223	Iceland Foods Group Ltd.	U.K.	Supermarket
225	O'Reilly Automotive, Inc.	U.S.	Other Specialty
226	The Game Group Plc	U.K.	Other Specialty
238	The Maruetsu, Inc.	Japan	Supermarket
240	The Golub Corporation/Price Chopper Supermarkets	U.S.	Supermarket
241	BİM (Birleşik Mağazalar A.Ş.)	Turkey	Discount Store
244	Valor Co., Ltd.	Japan	Supermarket
247	Izumi Co., Ltd.	Japan	Hypermarket/Supercenter/Superstore
248	Nonggongshang Supermarket Group Co. Ltd.	China	Hypermarket/Supercenter/Superstore
250	Best Denki Co. Ltd.	Japan	Electronics Specialty

Mergers and acquisitions propel Fastest 50

From 2003 through 2008, composite sales for the 50 fastest-growing retailers rose at a compound annual rate of 25.3 percent, more than three times faster than the growth rate for the Top 250 as a whole. For the 36 companies that disclosed their 2008 bottom-line results, strong sales also translated into solid profits. The composite net profit margin for the Fastest 50 retailers was 3.3 percent in 2008 versus 2.4 percent for the Top 250. Only four of 36 operated at a net loss.

Mergers and acquisitions played a big part in boosting sales for many of these companies. Wesfarmers acquisition of Coles Group, making it the second fastest-growing retailer over the 2003-2008 period, has already been noted. At the end of 2007, sixth-ranked Cencosud acquired Wong supermarkets, the largest retailer in Peru, and GBarbosa, a Brazilian retailer. This boosted the Chilean retailer to 80 from 112 the year before. On 1 January 2008, Mexico's Soriana (26 of the fastest-growing) took over Grupo Gigante's supermarket business. With this transaction, Soriana has become a leading supermarket chain in Mexico, second only to Wal-Mart. O'Reilly Automotive (36 of the fastest-growing) acquired CSK Auto in July 2008, creating the third-largest auto parts chain in the United States.

While acquisitions enable retailers to enter new markets, add new channels, and introduce new concepts much more quickly than internal development, strong organic growth was also a factor for many Fastest 50 retailers. Following a rapid regional rollout over the past decade, OJSC "Magnit" has become the largest food retailer in Russia in terms of number of stores. In addition to expansion of its discount "convenience" store concept, the company is focused on developing a federal chain of "Magnit" hypermarkets. BİM (Birleşik Mağazalar), a Turkish company that operates a chain of hard discount stores, is a newcomer to the Top 250 and ranks ninth among the Fastest 50. Founded in 1995, it is now Turkey's number two retailer with 2,285 stores at year-end 2008. BİM began expanding into North Africa in 2009.

Russia's privately owned Euroset Group, first on the Fastest 50 list, experienced serious financial problems in 2008. Bought by a Russian businessman, a 49.9 percent stake in the cellphone and accessories retailer was later sold to Russian mobile telecommunications carrier VimpelCom.

50 Fastest-growing retailers 2003-2008

Growth rank	Top 250 rank	Name of company	Country of origin	2008 retail sales (U.S. \$mil)	Operational formats	2003-2008 retail sales CAGR*	2008 net profit margin
1	148	Euroset Group	Russia	5,726	Electronics Specialty	72.8%	n/a
2	28	Wesfarmers Limited	Australia	32,716	Convenience/Forecourt Store, Discount Department Store, Drug Store/Pharmacy, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	62.7%	3.0%
3	153	OJSC "Magnit"	Russia	5,326	Convenience/Forecourt Store, Hypermarket/Supercenter/Superstore	60.3%	3.5%
4	136	Apple Inc./Apple Stores	U.S.	6,315	Electronics Specialty	59.0%	14.9%
5	125	Suning Appliance Co. Ltd.	China	7,193	Electronics Specialty	52.6%	4.5%
6	80	Cencosud S.A.	Chile	11,226	Cash & Carry/Warehouse Club, Department Store, Drug Store/Pharmacy, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	45.6%	2.7%
7	103	GameStop Corp.	U.S.	8,806	Other Specialty	41.0%	4.5%
8	91	Gome Home Appliance Group	China	10,091 ^e	Electronics Specialty	31.5%	n/a
9	241	BİM (Birleşik Mağazalar A.Ş.)	Turkey	3,296	Discount Store	31.4%	2.7%
10	44	Amazon.com, Inc.	U.S.	18,624	Non-Store	29.3%	3.4%
11	200	Lojas Americanas S.A.	Brazil	3,886	Discount Department Store, Non-Store	29.2%	2.1%
12	50	Alimentation Couche-Tard Inc.	Canada	15,781	Convenience/Forecourt Store	29.1%	1.6%
13	187	China Resources Enterprise, Limited	Hong Kong SAR	4,441	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	28.7%	4.6%
14	249	The Bon-Ton Stores, Inc.	U.S.	3,130	Department Store, Other Specialty	27.6%	-5.3%
15	134	S.A.C.I. Falabella	Chile	6,410 ^e	Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	26.9%	6.4%

* Compound annual growth rate

Source: Published company data and Planet Retail

50 Fastest-growing retailers 2003-2008

Growth rank	Top 250 rank	Name of company	Country of origin	2008 retail sales (U.S. \$mil)	Operational formats	2003-2008 retail sales CAGR*	2008 net profit margin
16	27	SuperValu Inc.	U.S.	34,664	Discount Store, Drug Store/Pharmacy, Hypermarket/ Supercenter/Superstore, Supermarket	26.9%	-6.4%
17	226	The Game Group Plc	U.K.	3,571	Other Specialty, Non-Store	26.6%	4.3%
18	101	The Pantry, Inc.	U.S.	8,996	Convenience/Forecourt Store	26.5%	0.4%
19	32	WM Morrison Supermarkets Plc	U.K.	26,166	Supermarket	24.1%	3.2%
20	190	FEMSA Comercio, S.A. de C.V.	Mexico	4,276	Convenience/Forecourt Store, Discount Store	23.7%	n/a
21	221	MAXIMA GRUPĖ, UAB	Lithuania	3,607 ^e	Cash & Carry/Warehouse Club, Home Improvement, Hypermarket/ Supercenter/Superstore, Supermarket	23.3%	n/a
22	150	Dirk Rossmann GmbH	Germany	5,665	Drug Store/Pharmacy	23.0%	n/a
23	194	Dick's Sporting Goods, Inc.	U.S.	4,130	Other Specialty	22.9%	-0.8%
24	97	Lotte Shopping Co., Ltd.	S. Korea	9,140 ^e	Department Store, Hypermarket/ Supercenter/ Superstore, Non-Store, Other Specialty, Supermarket	22.6%	7.0%
25	199	Migros Türk T.A.S.	Turkey	3,942	Discount Store, Hypermarket/Supercenter/ Superstore, Supermarket	22.6%	5.2%
26	104	Organizacion Soriana S.A. de C.V.	Mexico	8,672	Cash & Carry/Warehouse Club, Convenience/ Forecourt Store, Hypermarket/ Supercenter/ Superstore, Supermarket	21.7%	1.8%
27	183	Dalian Dashang Group	China	4,561 ^e	Department Store, Electronics Specialty, Other Specialty, Supermarket	21.3%	n/a
28	145	Bic Camera Inc.	Japan	5,776	Electronics Specialty, Non-Store	21.0%	-0.2%
29	149	K's Holdings Corporation	Japan	5,684 ^e	Electronics Specialty, Other Specialty	20.9%	1.8%
30	204	Associated British Foods plc/ Primark	U.K.	3,814	Apparel/Footwear Specialty	20.8%	4.7%
31	111	Whole Foods Market, Inc.	U.S.	7,954	Supermarket	20.4%	1.4%
32	129	RaceTrac Petroleum Inc.	U.S.	6,680 ^e	Convenience/Forecourt Store	19.2%	n/a
33	54	Inditex S.A.	Spain	15,048	Apparel/Footwear Specialty, Other Specialty	19.2%	12.1%
34	248	Nonggongshang Supermarket Group Co. Ltd.	China	3,139 ^e	Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	19.1%	n/a
35	171	Don Quijote Co., Ltd.	Japan	4,701	Discount Department Store, Discount Store, Home Improvement, Hypermarket/ Supercenter/Superstore	19.1%	1.9%
36	225	O'Reilly Automotive, Inc.	U.S.	3,577	Other Specialty	18.8%	5.2%
37	162	Save Mart Supermarkets	U.S.	5,050 ^e	Supermarket	18.1%	n/a
38	53	AS Watson & Company, Ltd.	Hong Kong SAR	15,217	Discount Store, Drug Store/Pharmacy, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	18.1%	n/a
39	131	Casas Bahia SA	Brazil	6,524 ^e	Electronics Specialty	18.0%	n/a
40	130	Shoprite Holdings Ltd.	S. Africa	6,611 ^e	Cash & Carry/Warehouse Club, Convenience/ Forecourt Store, Discount Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	17.4%	3.4%
41	216	Kwik Trip, Inc.	U.S.	3,640	Convenience/Forecourt Store, Other Specialty	17.1%	n/a
42	209	CP All Plc	Thailand	3,698	Convenience/Forecourt Store, Hypermarket/ Supercenter/Superstore	16.7%	1.8%
43	230	RONA Inc.	Canada	3,533	Home Improvement	16.3%	3.4%
44	38	Mercadona, S.A.	Spain	21,016	Supermarket	16.3%	2.2%
45	66	Groupe Adeo	France	13,242 ^e	Home Improvement	16.2%	n/a
46	94	Jerónimo Martins, SGPS SA	Portugal	9,738	Cash & Carry/Warehouse Club, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	16.1%	2.6%
47	177	NorgesGruppen ASA	Norway	4,644	Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	16.1%	1.5%
48	166	Massmart Holdings Limited	S. Africa	4,806 ^e	Cash & Carry/Warehouse Club, Discount Department Store, Electronics Specialty, Home Improvement	15.8%	3.0%
49	169	SPAR Group	S. Africa	4,740	Convenience/Forecourt Store, Home Improvement, Hypermarket/Supercenter/ Superstore, Other Specialty, Supermarket	15.8%	n/a
50	229	Abercrombie & Fitch Co.	U.S.	3,540	Apparel/Footwear Specialty, Non-Store	15.7%	7.7%
Fastest 50 sales-weighted, currency-adjusted composite						25.3%	3.3%

* Compound annual growth rate

Source: Published company data and Planet Retail

Most retailers have yet to make big internet push

Multi-channel retailing continues to grow as more companies develop an e-commerce capability. This year, Global Powers of Retailing reports on the extent to which the top 100 global retailers have embraced this increasingly important sales channel. The analysis is based only on those companies for which 2008 online sales information was available, plus those companies that did not operate a transactional website in 2008 and, therefore, had no online sales. Of the top 100 retailers, 69 are included in this analysis. Online sales were not available for the other 31 companies.

Overall, e-commerce accounted for an average 6.6 percent of these retailers' total sales in 2008. By product sector, online sales accounted for 24 percent of hardlines & leisure retailers' sales, on average. However, this includes Amazon, Dell, Office Depot, and Staples, which drastically skews the results. Excluding these four e-commerce powerhouses, the figure drops to 5.1 percent for the remaining nine companies. For the fashion group (comprised of only six retailers), online sales were 5.2 percent of sales. Retailers of fast-moving consumer goods represent the last bastion of merchants yet to embrace e-commerce. For the companies in this group, an average of only 0.9 percent of sales was generated through e-commerce.

Looking at the data by geographic region, Europe leads the pack, with online sales, averaging 4.1 percent. E-commerce accounted for 2.5 percent of sales for the North American retailers, excluding the four companies noted earlier. With those companies included in the results, the figure jumps to 12 percent. The Asia/Pacific region lags, reporting average online sales of just 0.8 percent of total sales.

These results should be interpreted with extreme caution due to small sample sizes in some cases.



Study methodology and data sources

Companies are included in the Top 250 Global Powers of Retailing list based on their non-auto retail sales for fiscal year 2008 (encompasses fiscal years ended through June 2009).

A number of sources were consulted to develop the Top 250 list. The principal data sources for financial and other company information were annual reports, SEC filings, and information found in companies' press releases, fact sheets, or websites. If company-issued information was not available, other public-domain sources were used, including trade journal estimates, industry analyst reports, and various business information databases.

Much of the data for non-U.S. food retailers were provided by Planet Retail. Planet Retail, a leading provider of online retail intelligence, offers industry news, analysis, and digital media to decision-makers across all sectors. Covering over 1,800 grocery retailers and 4,000 banner operations in over 130 countries, Planet Retail has offices in London, Frankfurt and Tokyo. For more information please visit www.planetretail.net.

Retailers' group sales reflect the consolidated net sales of their parent company, whether or not that company itself is primarily a retailer. Similarly, the income/loss figure also reflects the results of the parent company organization.

The retail sales figures in this report reflect only the retail portion of the company's consolidated net sales. As a result, they may reflect adjustments to reported sales figures to exclude non-retail operations. Retail sales exclude separate food service/restaurant operations and wholesale or other business-to-business revenue (except where such sales are made from retail stores), where it was possible to break them out.

Sales figures do not include the retail banner sales of franchised, licensed, or independent cooperative member stores. They do include royalties and franchising or licensing fees. Group sales include wholesale sales to such networked operations—both member stores and other supplied stores. Sales figures do not include operations in which the company has only a minority interest.

In order to provide a common base from which to rank companies by their retail sales results, fiscal year 2008 sales (and profits) for non-U.S. companies were converted to U.S. dollars. Exchange rates, therefore, have an impact on the results. OANDA.com is the source for exchange rates, with the average daily exchange rate corresponding to each company's fiscal year used to convert that company's results. The 2003-2008 compound annual growth rate (CAGR) for retail sales, however, was calculated in each company's local currency.

Group financial results

This report uses sales-weighted composites rather than simple arithmetic averages as the primary measure for understanding group financial results. Therefore, results of larger companies contribute more to the composite than do results of smaller companies. Because the data have been converted to U.S. dollars for ranking purposes and to facilitate comparison among groups, composite growth rates also have been adjusted to correct for currency movement. While these composite results generally behave in a similar fashion to arithmetic averages, they provide better representative values for benchmarking purposes.

Group financial results are based only on companies with data. Not all data elements were available for all companies.

It should also be noted that the financial information used for each company in a given year is accurate as of the date the financial report was originally issued. Although a company may have restated prior-year results to reflect a change in its operations or as a result of an accounting change, such restatements are not reflected in this data. This study is not an accounting report. It is intended to provide an accurate reflection of market dynamics and their impact on the structure of the retailing industry over a period of time.

As a result of these factors, growth rates for individual companies may not correspond to other published results.

Q ratio analysis for Global Powers

As the global equity markets recover, so too have the Q ratios of the world's leading publicly held retailers. This allows for a more robust analysis of the numbers. First, however, a brief explanation of the Q ratio is in order.

The Q ratio is the ratio of a publicly traded company's market capitalization to the value of its tangible assets. If this ratio is greater than 1, it means that the financial markets are valuing a company's non-tangible assets (brand equity, differentiation, innovation, customer experience, market dominance, customer loyalty and skillful execution). The higher the Q ratio, the greater share of a company's value that stems from such non-tangibles. A Q ratio less than 1 indicates failure to generate value on the basis of non-tangible assets – that the financial markets view a retailer's strategy as being unable to generate a sufficient return on physical assets. Indeed, it suggests an arbitrage opportunity – that the company could be purchased through equity markets and the tangible assets subsequently sold at a profit.

Why is this important? In the current and anticipated business environment, the world's leading retailers will face intense competition, slow growth in major developed markets and rising input prices, as well as consumer resistance to higher retail prices and excess retail capacity in many developed markets. Therefore, in order for retailers to succeed, they will have to find ways to distinguish themselves from competitors. That means having strong brand identity, offering consumers a positive shopping experience and being clearly differentiated from competitors.

This can entail featuring merchandise offerings that include private brands, unique store formats and designs and unusual customer experiences. The goal is to have a sufficiently unique position in the market to generate pricing power and, consequently, strong profitability. If a publicly traded retailer has these characteristics, the financial markets are likely to reward it with a high Q ratio.

Which companies have high Qs?

Many of the retailers with the highest Q ratios have been at or near the top of our list for several years in a row. These include Apple, fashion retailers Hennes & Mauritz and Uniqlo and online retailer Amazon.com. These retailers and others have strong brand identity, a unique market position and a reputation for executing their strategies with skill.

This year, there are 145 companies on our Q ratio list (compared with 144 in 2009 and 146 in 2008). The Q ratio was calculated using market capitalization as of November 16, 2009 and using total assets for the most recent fiscal year available. The composite Q ratio for all the companies on the list was 1.033, up from 0.745 last year, and the increase largely reflects the partial recovery of global equity markets during 2009.

Composite Q ratios

By merchandise category	
Hardlines	1.442
FMCG	0.888
Fashion	1.254
Diversified	0.690
By format	
Supermarket	1.210
Hypermarket	0.902
Home Improvement	0.935
Electronics	2.563
Drugstore	0.882
Department store	0.542
Convenience store	0.445
Apparel/footwear	2.483
Discount stores	1.062
By region/country	
USA	1.338
U.K.	0.699
Japan	0.450
Eurozone	0.719
Canada	0.773
Emerging markets	1.384

Highlights

The composite Q ratio was calculated for each of the major countries that host the world's leading retailers. Interestingly, the highest composite Q ratio belongs to those retailers based in emerging markets, with a composite of 1.384 (retailers based in the United States had a composite Q ratio of 1.337). As was the case in the past few years, the country with the lowest composite Q ratio is Japan. Again, this likely reflects depressed equity prices as well as poor performance and failure to differentiate on the part of many leading Japanese companies, and there are some very strong Japanese retailers: The fourth-highest Q ratio belongs to Japan-based Fast Retailing.

Composite Q ratios also were calculated based on dominant merchandise category and format. The category with the highest composite Q ratio is hardlines. In part, this reflects the very high Q ratios of a handful of major players, including Amazon.com and Apple, both of which have played a significant role in the emergence of new technologies. The fashion category, as usual, also has a high Q ratio. This reflects the strength of global specialty fashion chains like Hennes & Mauritz, Fast Retailing and Inditex – as well as the strength of discount fashion retailers (like TJX Companies and Ross Stores) in a difficult economic environment. Finally, and not surprisingly, the category with the lowest Q ratio is diversified retailers. This is consistent with past experience and may reflect problems that arise in poorly focused organizations.

The dominant formats with the highest Q ratio are electronics and apparel/footwear; in both cases, there are some notable, global giants with very strong brand identity and clear differentiation. Supermarkets and discount stores have Q ratios above 1; most other formats, however, have composite Q ratios lower than 1.

Top 50 retailers by Q ratio

Publix Super Markets, Inc.	10.185
Amazon.com, Inc.	6.853
Hennes & Mauritz AB	6.389
Fast Retailing Co., Ltd.	5.565
BİM (Birleşik Mağazalar A.Ş.)	4.803
Apple Inc./Apple Stores	4.698
Suning Appliance Co. Ltd.	3.876
Inditex S.A.	3.470
Dairy Farm International Holdings Limited	3.226
TJX Companies, Inc.	2.711
Woolworths Limited	2.575
Ross Stores, Inc.	2.456
Shoprite Holdings Ltd.	2.440
CP All Plc	2.418
Bed Bath and Beyond Inc.	2.321
Pick n Pay Stores Limited	2.265
Dollar Tree, Inc.	2.164
Next plc	2.084
Gap Inc.	2.075
Compagnie Financière Richemont SA	1.807
Walgreen Co	1.738
Massmart Holdings Limited	1.729
Shimamura Co., Ltd.	1.584
Family Dollar Stores, Inc.	1.575
Sherwin-Williams Company	1.566
Lojas Americanas S.A.	1.527
Kohl's Corporation	1.510
Big Lots, Inc.	1.492
Shoppers Drug Mart Corporation	1.490
Axfood AB	1.471
Dick's Sporting Goods, Inc.	1.439
S.A.C.I. Falabella	1.409
PetSmart, Inc.	1.378
X 5 Retail Group N.V.	1.377
Nordstrom, Inc.	1.342
O'Reilly Automotive, Inc.	1.307
Casey's General Stores, Inc.	1.295
Abercrombie & Fitch Co.	1.292
Costco Wholesale	1.288
Staples, Inc.	1.277
Advance Auto Parts, Inc.	1.275
Wal-Mart Stores	1.255
President Chain Store Corp.	1.226
LVMH Moët Hennessy-Louis Vuitton	1.202
Dell Inc.	1.178
Jerónimo Martins, SGPS SA	1.147
Home Depot Inc	1.145
Williams-Sonoma, Inc.	1.143
Best Buy Co., Inc.	1.130
Whole Foods Market, Inc.	1.122



Global recession or big opportunity?

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