Global retail development and localisation strategies: city centre or out-of-town? Global or local?

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Agenda

An organized overview on:

- **Retail localisation: what is changing and what is behind these changes?**
- **Global retail companies: city centre or out-of-town?**
- **Global and local**

Retail: city centre or out-of-town?

- New retail developments did not mix up with other functions within the city, they followed a separate path
- The balance of past centuries was lost
- Large stores (hypermarkets and then large specialised stores) and shopping centres did not find a place within the city
- With few exceptions they have been developed out-of-town
- It was ok to retailer (low cost for space), consumers (low pieces) and town planners (they got rid of these cumbersome objects)

The hypermarket

In continental Europe out-of-town retailing is the hypermarket: it has been the anchor of shopping centres and retail parks; it has been the dominant format

Is it still so?

Drivers:

- **Demographic trends: fragmentation**
- **Competitive trends: new formats**
- **Purchasing: from procurement to shopping**
- **Retail agglomerations: new ideas**

Demographic trends: fragmentation

Everywhere in Europe:

- **Smaller families**
- **More women at work**
- **Older people**
- **More consumption away-from-home**

In food retailing proximity is back: the revival of the local supermarket or discount store; “express” formats and food service; the superstore for one-stop-shopping

Why to go to the hypermarket?

Proximity: Tesco

Fascia	Format	Store size (sqm)	Stores 2001	Stores 2007
Tesco	Superstore	2000-6000	479	580
Tesco Metro	Small super	1100	167	162
Tesco Express	Convenience	200	56	735
One Stop (acquired in 2002)	"Pit stop"	130	-	506
Total			702	1983

fresh & easy™
Neighborhood Market

Not just Tesco Express, but also
Sainsbury Express, Carrefour Express …

Competitive trends: new formats

Non food retailing has come to age:

- **New large specialised stores are becoming dominant in their markets**
- **To consumers they are destination**
- **They are making non food departments of hypermarkets much less attractive**

Gèrard Mulliez: **«**L'hyper de 1963 était un peu le hard-discount d'aujourd'hui et les hypers d'aujourd'hui, par certains cotés, peuvent ressembler aux grands magasins des années 70**»** (interview to LSA 2003)

Why to go to the hypermarket?

Purchasing: from procurement to shopping

- Consumers have more income
- Which leads them to buy less goods and more services
- And to pay more attention to immaterial components of what they buy
- By now basic, everyday convenience goods are given for granted

We are looking far beyond the functional value of products: we are searching the market to discover an ever changing offer, to update our information, to evaluate and to show ourselves

Why to go to the hypermarket?

Retail agglomerations: new ideas

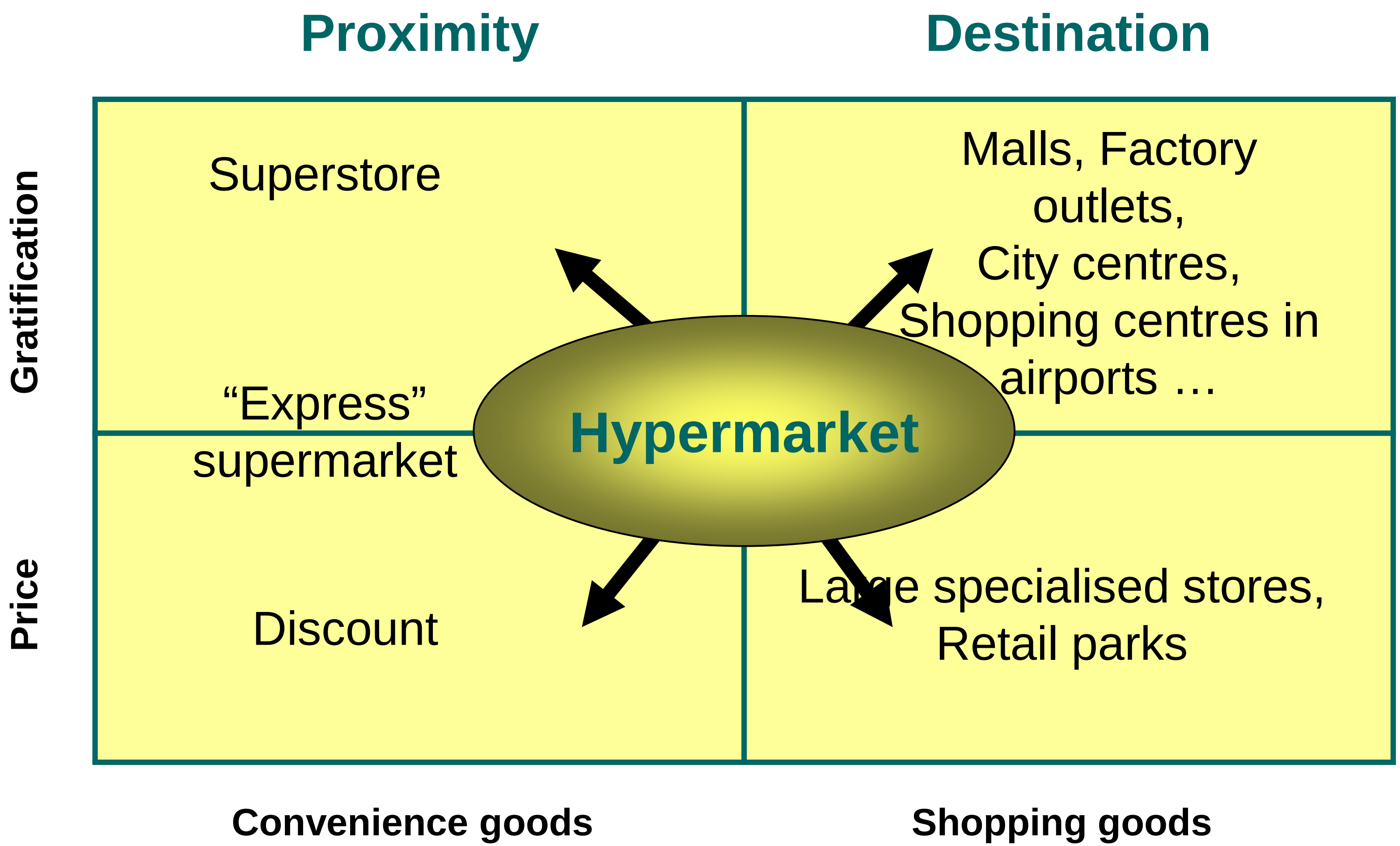
The hyper-centric shopping centre has today many alternatives

- **Factory outlets**
- **Shopping centres in airports, railways stations, stadiums, entertainment centres …**
- **City centres**
- **Malls**

Hyper-centric shopping centres are the norm in continental Euprope, but the exception in the Usa ad the UK

Why to go to the hypermarket?

Buying behaviour and retail formats



Regulations: from "green" to "brown fields“

- Everywhere in Europe authorisations for large out-of-town developments are becoming more difficult
- The issue is (almost) everywhere their negative externalities: transport costs and pollution, land consumption, retail “desertification”
- Europeans, but not only them, are rediscovering the city centre

City centre: back to the future?

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Globalisation in retailing

Market saturation and competitive advantages built at home have been pushing towards globalisation:

- of companies
- of store formats
- of procurement

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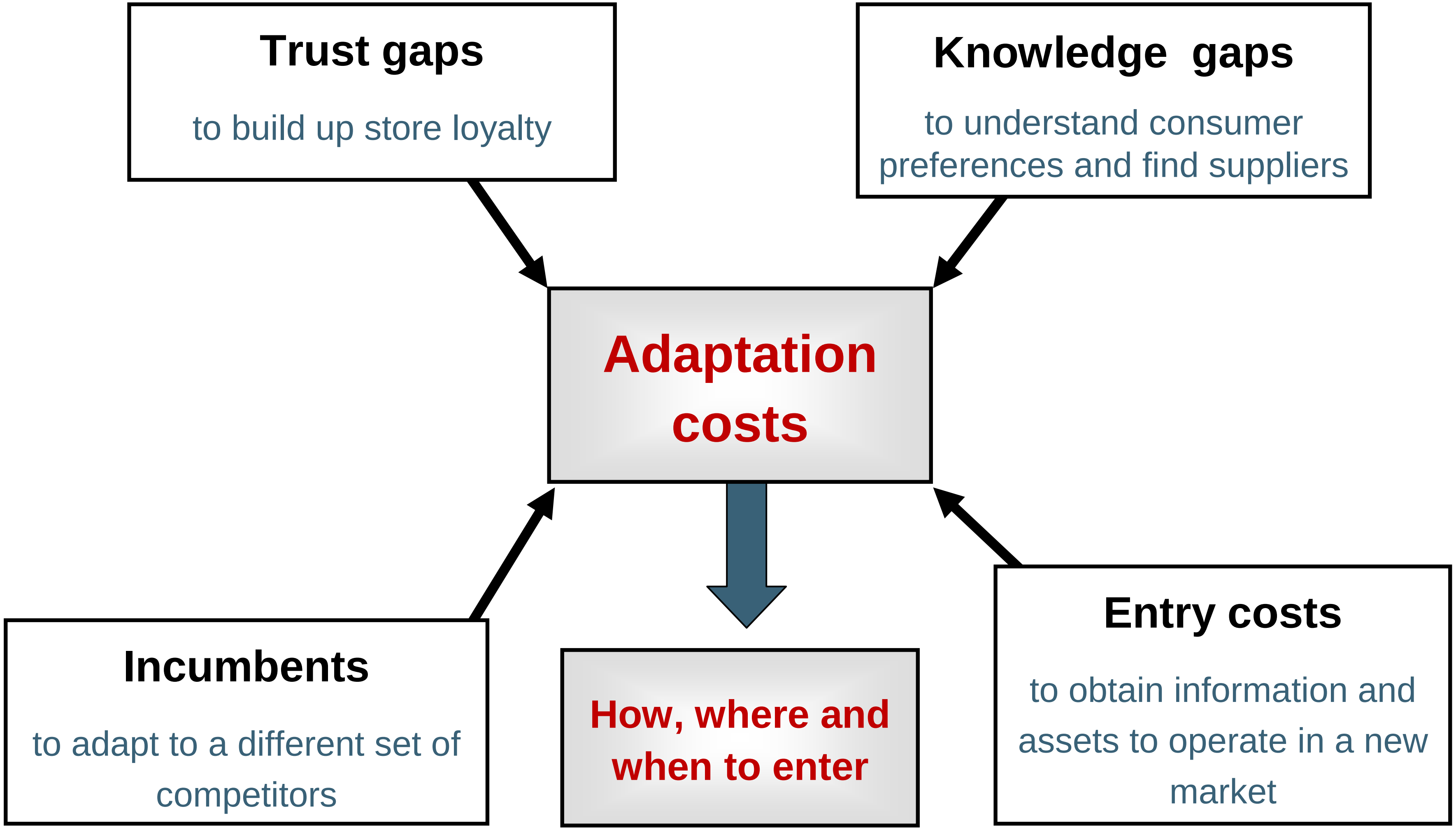
- Larger and larger retailers
- Capable of designing goods
- With access to all markets

Entrant in new markets were looking for business environments where they could minimise adaptation costs

Adaptation costs



Adaptation costs and localisation

Shopping centres have been these friendly environments:

- they could guarantee consumers
- other international retail brands were present
- the competitive set up was known
- the rules of the game was everywhere the same

Shopping centres made it easier to go global.
But for many global retailers the first stage of entry in many relevant markets is accomplished:
they now know these markets

Entrenchment: glocalisation

Global retailers move where business moves: if traditional (hyper-centric) shopping centres do not work, they look for alternative locations

- **They realise the importance of variety: city centres offer uniqueness because of the settings and the presence of independents**
- **they are carefully considering city centres: they are willing to invest**
- **They would like to find in city centres the same positive externalities they have been accustomed to enjoy in shopping centres**

If they do not find them, they may move to the new kind of shopping centre: factory outlet, mall …

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Global and local

Only global is boring, only local is inefficient and unappealing: consumers want both

City centres are the locations where these two components of retailing can combine and support one another

But, to be competitive city centres have to be managed …

This is why town centre management is so important: cities that will be able to make it work will gain an important competitive advantage