Market Visit Report - Paris, France

Five Great Ideas Vicente Trius May Bring to Loblaw

March 2011

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Targeting Canada

A Guide to Selling to Target in Canada

Prepared by: Sales Is Not Simple International • 31 January 2011

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Toronto - October 2011

Summary

overview:

recently, Loblaw announced that it had appointed Vicente Trius as the new President of the company taking over from Alan Leighton.

Mr. Trius was most recently the Executive Director at Carrefour Europe and will probably be bring a few good ideas from Carrefour to Loblaw.

Carrefour is not the world's second largest retailer by mistake. In fact, Carrefour has some great "best practices" from which Loblaw can learn a lot to help it better compete in Canada's retail landscape.

we visited one of Carrefour's pilot stores in southwest Paris to see what some of these best practices might be and we have captured them in this report.

we hope that you find these insights useful in your day-to-day work and that you can draw inspiration from them.

if you would like any more information on what you see in this report please feel free to reach us at jdoucette@salesisnotsimple.com

France - Retail Market Structure

Retailer	Market Share
Leclerc	17.1%
Carrefour*	12.5%
Intermarche	11.7%
Systeme U	9.3%
Auchan	8.7%
Carrefour Market*	8.4%
Geant / Casino	5.2%
Lidl	4.9%
Leader Price	2.5%
Aldi	2.5%
Ed/Dia*	2.4%
Netto	1.2%

Market shares July / August 2010 as reported by Kantar Retail
* Carrefour France banners

Carrefour France - Banners

The classical Carrefour format, these hypermarkets pioneered the format that has been spread far and wide by both Carrefour and its competitors.

Store Count: 231

Formerly branded Champion supermarkets, Carrefour market is the supermarket format of the Carrefour family in France.

Store Count: 987

These small format, urban supermarkets play a role between convenience stores and supermarkets in city centers. Formerly branded Shoppi these renovated stores are compact and efficient.

Store Count: 140

Currently transitioning from the “Ed” banner in France, this hard discount model brings limited assortment and high penetration of private labels in a small retail format. Recently announced that this division will be spun-off by Carrefour.

Store Count: 928

Summary

observations:

1. Expansion Into Services
2. Urban Supermarket Format - Carrefour City
3. Hard Discount - The Real Thing
4. Rapid'Ticket - Mobile Self Service Scanners
5. Building Organic Through Private Label

Expansion Into Services

Tesco figured out about a decade ago that great growth opportunities existed for them outside their store walls (and traditional categories) in the provision of services such as telecoms, insurance, travel, diets and now even gold brokers.

Carrefour now also has a robust service offering which is demonstrated by this gift card wall that includes IT Support, Handyman Services, House Cleaning and Laundry Services.

With the original Canadian retail / service provider, Sears currently in disarray, Loblaw could refocus its energy behind services and build on its success in banking, relaunching its telecoms business and getting into other categories where the President's Choice brand would bring trust of the Canadian consumer.

Urban Supermarket Format - Carrefour City

Proximity retailing is making news in North America recently, after being ignored for the most part by the big players (except Couche Tard of course).

Wal-mart is building small, urban store formats while Sobeys and Longos have made good efforts in the Toronto market.

Carrefour now has 140 Carrefour City stores in France which are convenient, upscale and focused on the urban shopper who is time-starved, fresh focused and is looking for a qualitative shopping environment.

Inspired by Marks & Spencer and Sainsbury's in the UK, shoppers can pick up a quick meal on the way home or a snack while they are away from home.

Canada's cities centres are likely to be the next retail battleground. Loblaw will be able to draw on Carrefour's learning in launching this innovative format.

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Hard Discount - The Real Thing

Loblaw's recent reorganization into two merchandising organizations, with its banners being split between "value" and "conventional" signals the importance of discount formats such as No Frills in its business plan.

Canada has not truly experienced Hard Discount (at least not yet). Retailers like Lidl and Aldi (the #5 and #8 global retailers) have been revolutionizing grocery shopping in Europe with small, urban, proximity markets with a focus on squeezing out inefficiencies that would make Sam Walton blush.

Carrefour's Hard Discount model, Dia, has struggled against Lidl and Aldi in most markets. This has driven Carrefour to announce this month that they will look to spin off the division this year.

However, Mr. Trius has solid experience in markets where Dia operates and his knowledge of what works (and doesn't) could be a big boost for the "value" organization.

His knowledge could help Loblaw launch a first strike in Hard Discount, pre-empting Aldi (which operates 1,000 stores in the US) and striking a blow to their traditional Canadian competitors.

Rapid'Ticket - Mobile Self Service Scanners

Self-scanners are well established in Canada but have the downside of creating bottlenecks at the cash while shoppers realize how hard it is to scan items efficiently.

Carrefour is testing Rapid'Ticket, a hand-held scanner that shoppers pick up at the store entrance and scan items as they place them in their basket.

At the check out scanner users have a dedicated check-out which is very quick - just scan the kiosk, swipe your card and away you go!

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Building Organic Through Private Label

A recent article in “Le Figaro”, a leading French newspaper reported that 43% of French shoppers are buying Organic (“Bio” en francais). As a result, supermarkets in France have large organic sections, displayed predominantly in the store.

This market was developed in part because of Carrefour’s early launch and promotion of organic products in its Private Label program in most food categories. Farmers and brand suppliers were slow to the game and now face formidable competitor in PL Brands such as Carrefour Bio.

Loblaw has the PC Organics but its launch came at a time when the organization was focusing on many other internal and external challenges. Could Loblaw use organic as a true differentiator and drive consumer acceptance in Canada to levels seen in Europe?

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