

2008 Global Powers of Retailing.

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Consumer Business contacts

For Deloitte Touche Tohmatsu and its member firms

Global Consumer Business Leader

Lawrence Hutter
Deloitte UK
lhutter@deloitte.co.uk

Author

Ira Kalish
Deloitte Services LP
ikalish@deloitte.com

Marketing

Kathryn Cordes
DTT Consumer Business
kcordes@deloitte.com

Retail Leaders

Americas

Vicky Eng
Deloitte & Touche LLP
veng@deloitte.com

Europe, Middle East, Africa

Richard Lloyd-Owen
rlloydowen@deloitte.com

North America

United States

Stacy Janiak
Deloitte & Touche LLP
sjaniak@deloitte.com

Canada

Brent Houlden
bhoulden@deloitte.com

Europe, Middle East and Africa

Belgium

Koen de Staercke
kdestaercke@deloitte.com

Denmark

Henrik Knak
hknak@deloitte.com

Finland

Jussi Konkola
jkonkola@deloitte.com

France

Gilles Goldenberg
ggoldenberg@deloitte.com

Germany

Peter Thormann
pethormann@deloitte.com

Greece

George Cambanis
gcambanis@deloitte.com

Ireland

Brendan Jennings
bjennings@deloitte.com

Italy

Dario Righetti
drighetti@deloitte.com

Netherlands

Pieter Peerlings
ppeerlings@deloitte.com

Norway

Marius Eriksen
meriksen@deloitte.com

Portugal

Joao Luis Silva
joaolsilva@deloitte.com

Russia

Graham Povey
gpovey@deloitte.com

Slovenia

Graham Hayward
ghayward@deloitte.com

South Africa

Rodger George
rogeorge@deloitte.com

Spain

Juan Jose Roque
jroque@deloitte.com

Sweden

Lars Egenaes
legenaes@deloitte.com

Turkey

Ugur Suel
usuel@deloitte.com

Ukraine

Dina Nemirovich
dnemirovich@deloitte.com

United Kingdom

Richard Lloyd Owen
rlloydowen@deloitte.co.uk
J.N. Hill
jnhill@deloitte.com

Latin America, Caribbean

LACRO Consumer Business Leader

Francisco Perez Cisneros
Deloitte Mexico
fperezcisneros@deloitte.com

Argentina

Daniel Varde
dvarde@deloitte.com

Bahamas

Bruce Knowles
kbruce@deloitte.com

Brazil

Altair Rossato
arossato@deloitte.com

Chile

Juan Echeverria
jecheverria@deloitte.com

Colombia

Juan Carlos Sanchez Nino
jsancheznino@deloitte.com

Mexico

Omar Camacho
ocamacho@deloitte.com

Venezuela

Ignacio Rodriguez
igrodriguez@deloitte.com

Asia Pacific

Asia Pacific Consumer Business Leader

Yoshio Matsushita
Deloitte Japan
yomatsushita@deloitte.com

Australia

Andrew Griffiths
andgriffiths@deloitte.com

China/Hong Kong

Eric Tang
eritang@deloitte.com

India

Shyamak Tata
shyamaktata@deloitte.com

Japan

Yoshio Matsushita
yomatsushita@deloitte.com

Korea

Do-Sung Kim
dosungkim@deloitte.com

Malaysia

Yoon Chong Yee
ycyee@deloitte.com

New Zealand

Lisa Cruickshank
lcruickshank@deloitte.com

Singapore

Alan R. Nisbet
anisbet@deloitte.com.com

Taiwan

Ping Lee
pinglee@deloitte.com.com

Thailand

Montree Panichakul
mpanichakul@deloitte.com

Standing out from the crowd

Deloitte Touche Tohmatsu (“Deloitte”), in conjunction with STORES Magazine, is pleased to present the 11th annual Global Powers of Retailing. This report identifies the 250 largest retailers around the world based on publicly available data for the companies’ fiscal year 2006 (encompasses fiscal years ended through June 2007). The report also provides an outlook for the global economy; an analysis of market capitalization in the industry; and a discussion of 10 major trends affecting retailers.

Global powers of retailing top 250 highlights

2006 – Another strong year for the global retail industry

In 2006, the global economy was strong with global GDP rising an astounding 5.4%, one of the fastest rates ever recorded. Relatively rapid economic expansion took place in such disparate locations as Argentina, Canada, China, Germany, India, Russia, the UK, and the US. In many countries, elevated home prices added substantially to consumer wealth, thereby stimulating expanded spending. Even the US was still experiencing the last gasps of the housing bubble, and consumers were fairly flush with cash. Big emerging markets continued to experience rapid growth in consumer incomes, with millions shifting from poverty to the middle class. Economically, this was a good time to be in the retailing business. Strong consumer spending resulted in healthy growth for the industry’s Top 250 retailers in fiscal 2006, the financial period covered in this report.

Total retail sales for the Top 250 Global Powers of Retailing rose to \$3.25 trillion, up 8.0% from last year’s Top 250 total of \$3.01 trillion. Compared with fiscal 2005, more companies participated in that growth. While 49 of the Top 250 saw sales drop in 2005, only 36 retailers experienced declining sales among this year’s group.

A growing number of retailers have been taken private in recent years, making it more difficult to measure profitability for the group as a whole. For the 2006 fiscal year, net income/loss figures were available for 187 companies. The average net profit margin for this group was 3.6%, a slight uptick from 3.5% in 2005 and a significant improvement over the average profit margin of 2.7% in 2004. Just seven companies reported a net loss in 2006, compared with 15 of 188 companies in 2005.

Based on the 187 companies that disclosed their profits/losses, return on assets averaged 5.8%. This, along with financial leverage (total assets / stockholders’ equity) of 3.4x, resulted in average return on equity of 15.7%.

To rank among the Top 250 globally required fiscal 2006 retail sales of at least \$2.72 billion, up from \$2.5 billion the year before. The average retail sales volume for companies in this elite group was \$13.0 billion. (Top 250 Highlights continued on p G26.)

Top 250 global retailers

Retail sales rank (FY 06)	Name of company	Country of origin	2006 group sales* (US\$mil)	2006 retail sales (US\$mil)	2006 group income (loss)* (US\$mil)	Formats	Countries of operation	2001-2006 retail sales CAGR**
1	Wal-Mart Stores, Inc.	US	348,650	344,992	11,284	Cash & Carry/Warehouse Club, Discount Department Store, Hypermarket/Supercenter/Superstore, Supermarket	Argentina, Brazil, Canada, China, Costa Rica, El Salvador, Guatemala, Honduras, Japan, Mexico, Nicaragua, Puerto Rico, UK, US	11.1%
2	Carrefour S.A.	France	97,861	97,861	2,850	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Algeria, Argentina, Belgium, Brazil, China, Columbia, Dominican Republic, Egypt, France, French Polynesia, Greece, Guadeloupe, Indonesia, Italy, Malaysia, Martinique, Oman, Poland, Portugal, Qatar, Reunion, Romania, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, Tunisia, UAE	2.3%
3	The Home Depot, Inc.	US	90,837	90,837	5,761	Home Improvement, Non-Store	Canada, China, Mexico, Puerto Rico, US, Virgin Islands	11.1%
4	Tesco plc	UK	79,976	79,976	3,549	Convenience/Forecourt Store, Department Store, Discount Department Store, Hypermarket/Supercenter/Superstore, Supermarket	China, Czech Rep., Hungary, Japan, Rep. of Ireland, Malaysia, Poland, Slovakia, S. Korea, Thailand, Turkey, UK	12.5%
5	Metro AG	Germany	75,225	74,857	1,327	Apparel/Footwear Specialty, Cash & Carry/Warehouse Club, Department Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Austria, Belgium, Bulgaria, China, Croatia, Czech Rep., Denmark, France, Germany, Greece, Hungary, India, Italy, Japan, Luxembourg, Moldova, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Serbia and Montenegro, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, UK, Vietnam	4.0%
6	The Kroger Co.	US	66,111	66,111	1,115	Convenience/Forecourt Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	US	5.7%
7	Target Corp.	US	59,490	59,490	2,787	Discount Department Store, Hypermarket/Supercenter/Superstore	US	8.3%
8	Costco Wholesale Corp.	US	60,151	58,963	1,103	Cash & Carry/Warehouse Club	Canada, Japan, Mexico, Puerto Rico, S. Korea, Taiwan, UK, US.	11.6%
9	Sears Holdings Corp.	US	53,012	53,012	1,490	Department Store, Discount Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Non-Store, Other Specialty	Canada, Guam, Puerto Rico, US, Virgin Islands	8.0%
10	Schwarz Unternehmens Treuhand KG	Germany	52,422 ^e	52,422 ^e	n/a	Discount Store, Hypermarket/Supercenter/Superstore	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Rep., Denmark, Finland, France, Germany, Greece, Hungary, Rep. of Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, UK	12.0%

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11	Aldi GmbH & Co. oHG	Germany	50,010 ^e	50,010 ^e	n/a	Discount Store, Supermarket	Australia, Austria, Belgium, Denmark, France, Germany, Rep. of Ireland, Luxembourg, Netherlands, Portugal, Slovenia, Spain, Switzerland, UK, US	4.4%
12	Walgreen Co.	US	47,409	47,409	1,751	Drug Store/Pharmacy	Puerto Rico, US	14.0%
13	Lowe's Companies, Inc.	US	46,927	46,927	3,105	Home Improvement	US	16.2%
14	Rewe-Zentral AG	Germany	54,583	45,850 ^e	n/a	Cash & Carry/Warehouse Club, Discount Store, Drug Store/Pharmacy, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Austria, Bulgaria, Croatia, Czech Rep., France, Germany, Hungary, Italy, Poland, Romania, Russia, Slovakia, Switzerland, Ukraine	2.2%
15	Seven & I Holdings Co., Ltd.	Japan	45,692 ⁰	43,835 ^e	1,142	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Canada, China, Japan, US	ne
16	Groupe Auchan SA	France	43,955	43,154	937	Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	China, France, Hungary, Italy, Luxembourg, Morocco, Poland, Portugal, Romania, Russia, Spain, Taiwan	5.6%
17	Edeka Zentrale AG & Co. KG	Germany	42,448 ^e	40,749 ^e	n/a	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Austria, Czech Republic, Denmark, Germany, Russia	5.0%
18	CVS Corp.	US	43,814	40,286	1,369	Drug Store/Pharmacy	US	13.6%
19	Safeway, Inc.	US	40,185	40,185	871	Supermarket	Canada, US	3.2%
20	Centres Distributeurs E. Leclerc	France	38,692 ^e	38,692 ^e	n/a	Convenience/Forecourt Store, Discount Store, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	France, Italy, Poland, Portugal, Slovenia, Spain	3.9%
21	AEON Co., Ltd.	Japan	41,300	38,058	494	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Discount Store, Drug Store/Pharmacy, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Canada, China, Hong Kong SAR, Japan, Malaysia, S. Korea, Taiwan, Thailand, UK, US	8.9%
22	Koninklijke Ahold N.V	Netherlands	56,369	37,149	1,129	Convenience/Forecourt Store, Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Czech Rep., Estonia, Latvia, Lithuania, Netherlands, Norway, Poland, Slovakia, Sweden, US	-6.5%
23	Best Buy Co., Inc.	US	35,934	35,934	1,377	Electronics Specialty	Canada, China, US	12.9%

*Group sales and income/loss may include results from non-retail operations.

**CAGR = Compound Annual Growth Rate

Name after forward slash is retail segment of parent company.

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24	ITM Développement International (Intermarché)	France	34,018 ^e	33,678 ^e	n/a	Apparel/Footwear Specialty, Convenience/Forecourt Store, Discount Store, Home Improvement, Other Specialty, Supermarket	Belgium, Bosnia-Herzegovina, France, Poland, Portugal, Romania, Serbia, Spain	-3.8%
25	Woolworths Ltd.	Australia	33,384	32,456	1,017	Convenience/Forecourt Store, Discount Department Store, Electronics Specialty, Other Specialty, Supermarket	Australia, India, New Zealand	11.8%
26	J Sainsbury Plc	UK	32,463	31,912	615	Convenience/Forecourt Store, Hypermarket/Supercenter/Superstore, Supermarket	UK	0.0%
27	SuperValu Inc.	US	37,406	28,016	452	Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Supermarket	US	24.0%
28	Federated Department Stores, Inc. (now Macy's, Inc.)	US	26,970	26,970	995	Department Store	Guam, Puerto Rico, US	11.5%
29	Casino Guichard-Perrachon S.A.	France	28,593	26,967	754	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Department Store, Discount Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Non-Store, Supermarket	Argentina, Brazil, Colombia, France, Madagascar, Mauritius, Netherlands, Thailand, Uruguay, Venezuela, Vietnam	-0.1%
30	Tengelmann Warenhandels-gesellschaft KG	Germany	26,380	26,380	n/a	Apparel/Footwear Specialty, Discount Store, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Austria, Bosnia-Herzegovina, Czech Rep., Germany, Hungary, Italy, Poland, Portugal, Romania, Russia, Slovenia, Spain, Switzerland, US	-3.9%
31	Coles Group Ltd.	Australia	25,580	25,580	870	Convenience/Forecourt Store, Discount Department Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Australia, New Zealand	7.5%
32	Delhaize Group	Belgium	24,151	24,151	442	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Belgium, Czech Rep., Germany, Greece, Indonesia, Luxembourg, Romania, US	-2.1%
33	WM Morrison Supermarkets Plc	UK	23,173	23,035	460	Supermarket	UK	25.9%
34	Publix Super Markets, Inc.	US	21,820	21,655	1,097	Convenience/Forecourt Store, Supermarket	US	7.2%
35	The IKEA Group	Sweden	21,231	21,231	n/a	Other Specialty	Australia, Austria, Belgium, Canada, China, Czech Rep., Denmark, Finland, France, Germany, Greece, Hong Kong SAR, Hungary, Iceland, Israel, Italy, Japan, Kuwait, Malaysia, Netherlands, Norway, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan, Turkey, UAE, UK, US	10.7%

Top 250 global retailers

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36	Loblaw Companies Limited	Canada	25,262	19,904 ^e	(192)	Cash & Carry/Warehouse Club, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Canada	7.5%
37	J.C. Penney Co., Inc.	US	19,903	19,903	1,153	Department Store, Non-Store	Puerto Rico, US	-9.1%
38	Staples, Inc.	US	18,161	18,161	974	Non-Store, Other Specialty	Belgium, Canada, Germany, Netherlands, Portugal, UK, US	11.1%
39	El Corte Inglés, S.A.	Spain	21,751	17,618 ^e	906	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Belgium, Greece, Portugal, Spain	7.5%
40	PPR S.A.	France	22,525	17,551 ^e	861	Apparel/Footwear Specialty, Non-Store, Other Specialty	Australia, Austria, Belgium, Brazil, Canada, China, Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, India, Indonesia, Italy, Japan, Jordan, Lebanon, Luxembourg, Malaysia, Malta, Mexico, Norway, Netherlands, Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Slovenia, S. Africa, S. Korea, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, UAE, UK, US	3.2%
41	Rite Aid Corp.	US	17,508	17,508	27	Drug Store/Pharmacy	US	2.9%
42	TJX Companies, Inc.	US	17,405	17,405	738	Apparel/Footwear Specialty, Other Specialty	Canada, Germany, Hong Kong, Puerto Rico, Rep. of Ireland, UK, US	10.2%
43	Marks & Spencer Plc	UK	16,255	16,255	1,249	Convenience/Forecourt Store, Department Store, Supermarket	Bahrain, Bermuda, Bulgaria, Croatia, Cyprus, Czech Rep., Greece, Hong Kong SAR, Hungary, India, Indonesia, Rep. of Ireland, Kuwait, Latvia, Malaysia, Malta, Oman, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, S. Korea, Switzerland, Thailand, Turkey, UAE, UK	1.1%
44	Kingfisher plc	UK	16,133	16,133	626	Home Improvement	China, France, Rep. of Ireland, Italy, Poland, Russia, S. Korea, Spain, Taiwan, Turkey, UK	-6.3%
45	Gap, Inc.	US	15,943	15,943	778	Apparel/Footwear Specialty, Non-Store	Canada, France, Ireland, Japan, Puerto Rico, UK, US	2.9%
46	Kohl's Corporation	US	15,544	15,544	1,109	Department Store	US	15.7%
47	Baugur Group hf.	Iceland	15,033 ^e	15,033 ^e	n/a	Apparel/Footwear Specialty, Cash&Carry/Warehouse Club, Convenience/Forecourt Store, Department Store, Discount Store, Drug Store/Pharmacy, Electronics Specialty, Other Specialty, Supermarket	Bahrain, Belgium, Cyprus, Denmark, France, Germany, Greece, Iceland, Rep. of Ireland, Kuwait, Lebanon, Monaco, Netherlands, Norway, Qatar, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan, UAE, UK, US	112.0%

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48	Office Depot, Inc.	US	15,011	15,011	516	Non-Store, Other Speciality	Belgium, China, Czech Republic, Canada, Costa Rica, El Salvador, France, Germany, Guatemala, Hungary, Honduras, Ireland, Italy, Israel, Japan, Lithuania, Mexico, Netherlands, Panama, S. Korea, Spain, Switzerland, Thailand, UK, US	6.1%
49	DSG International plc	UK	15,154	14,375	10	Electronics Specialty, Non-Store	Austria, Belgium, Czech Rep., Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Rep. of Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK	9.4%
50	Mercadona, S.A.	Spain	14,178	14,178	304	Supermarket	Spain	21.9%
51	Coop Italia	Italy	13,702 ^e	13,702 ^e	n/a	Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Croatia, Italy	5.1%
52	Meijer, Inc.	US	13,324 ^e	13,324 ^e	n/a	Hypermarket/Supercenter/Superstore	US	3.9%
53	Toys "R" Us, Inc.	US	13,050	13,050	109	Other Specialty	Australia, Austria, Bahrain, Canada, China, Denmark, Egypt, Finland, France, Germany, Hong Kong SAR, Indonesia, Israel, Japan, Kuwait, Malaysia, Mauritius, Netherlands, Norway, Oman, Puerto Rico, Portugal, Qatar, Saudi Arabia, Singapore, S. Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, UK, US	3.4%
54	AS Watson & Company, Ltd.	Hong Kong SAR	12,764	12,764	n/a	Discount Store, Drug Store/Pharmacy, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Australia, Austria, Belgium, China, Czech Rep., Estonia, France, Germany, Hong Kong SAR, Hungary, Rep. of Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macau, Malaysia, Morocco, Netherlands, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovakia, S. Korea, Spain, Switzerland, Taiwan, Thailand, Tunisia, Turkey, UK	38.0%
55	Louis Delhaize S.A.	Belgium	12,677	12,677	n/a	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Belgium, France, French Guiana, Guadeloupe, Hungary, Luxembourg, Martinique, Romania, UK	3.7%
56	Circuit City Stores, Inc.	US	12,430	12,430	(8)	Electronics Specialty	Canada, US	-0.6%
57	Migros-Genossenschafts Bund	Switzerland	16,485	12,364 ^e	602	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Discount Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	France, Germany, Switzerland	1.3%
58	Yamada Denki Co., Ltd.	Japan	12,358	12,358	372	Electronics Specialty	Japan	20.8%

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59	Alimentation Couche-Tard Inc.	Canada	12,087	12,087	196	Convenience/Forecourt Store	Canada, US	51.2%
60	Otto Group	Germany	19,406	11,715	460	Apparel/Footwear Specialty, Cash & Carry/Warehouse Club, Non-Store, Other Specialty	Austria, Belgium, China (JV), Czech Rep., France, Germany, Hungary, Italy, Japan, Korea, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Switzerland, Taiwan, UK, US	-10.6%
61	Coop Norden AB	Sweden	11,610	11,610	4	Convenience/Forecourt Store, Discount Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	Denmark, Norway, Sweden	ne
62	Alliance Boots plc	UK	21,770	11,517	732	Drug Store/Pharmacy	Rep. of Ireland, Italy, Netherlands, Norway, Russia, Thailand, UK	4.5%
63	Sobeys Inc.	Canada	11,463	11,463	153	Convenience/Forecourt Store, Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Canada	6.0%
64	KarstadtQuelle AG (now Arcandor AG)	Germany	16,519	11,437	434	Department Store, Non-Store, Other Specialty	Austria, Belgium, Bosnia-Herzegovina, Croatia, Czech Rep., Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Netherlands, Poland, Romania, Russia, Serbia-Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, UK	-10.5%
65	H.E. Butt Grocery Company	US	11,301 ^e	11,301 ^e	n/a	Hypermarket/Supercenter/Superstore, Supermarket	Mexico, US	4.9%
66	Dell Inc.	US	57,420	11,157 ^e	2,583	Non-Store	Global	11.7%
67	Home Retail Group plc	UK	10,975	10,975	382	Home Improvement, Non-Store, Other Specialty	UK	ne
68	Coop	Switzerland	11,807	10,862	248	Convenience/Forecourt Store, Department Store, Drug Store/Pharmacy, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Switzerland	3.7%
69	LVMH	France	19,228	10,767 ^e	2,360	Apparel/Footwear Specialty, Department Store, Other Specialty	Australia, Canada, China, Czech Rep., France, Greece, Guam, Hong Kong SAR, Italy, Japan, Luxembourg, Malaysia, New Zealand, Poland, Portugal, Romania, Saipain, Singapore, S. Korea, Spain, Taiwan, UK, US	n/a
70	Amazon.com, Inc.	US	10,711	10,711	190	Non-Store	Canada, China, France, Germany, Japan, UK, US	28.0%
71	Limited Brands, Inc.	US	10,671	10,671	676	Apparel/Footwear Specialty, Non-Store, Other Specialty	Canada, US	2.6%

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72	John Lewis Partnership Plc	UK	10,597	10,597	202	Department Store, Hypermarket/Supercenter/Superstore, Non-Store, Supermarket	UK	7.2%
73	Système U, Centrale Nationale	France	10,517 ^e	10,517 ^e	n/a	Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	France, Martinique, Mauritius, New Caledonia, Reunion, Tahiti	6.2%
74	Inditex S.A.	Spain	10,360	10,251	1,266	Apparel/Footwear Specialty, Other Specialty	Andorra, Argentina, Austria, Bahrain, Belgium, Brazil, Canada, Chile, China, Costa Rica, Cyprus, Czech Rep., Denmark, Dominican Rep., El Salvador, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Hungary, Iceland, Indonesia, Rep. of Ireland, Israel, Italy, Japan, Jordan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Monaco, Morocco, Netherlands, Norway, Panama, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, UAE, UK, US, Uruguay, Venezuela	21.6%
75	Uny Co., Ltd.	Japan	10,520	10,204 ^e	80	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	Hong Kong SAR, Japan	0.6%
76	The Jean Coutu Group (PJC) Inc.	Canada	11,470	9,786	141	Drug Store/Pharmacy	Canada, US	49.3%
77	Metro Inc.	Canada	9,581	9,581	221	Convenience/Forecourt Store, Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Supermarket	Canada	17.6%
78	Leroy Merlin Groupe (now Groupe Adeo)	France	9,422 ^e	9,422 ^e	n/a	Home Improvement	Brazil, China, France, Greece, Italy, Poland, Portugal, Russia, Spain	15.1%
79	Lotte Shopping Co., Ltd.	S. Korea	9,599	9,369 ^e	784	Department Store, Hypermarket/Supercenter/Superstore, Supermarket	S. Korea	12.6%
80	Conad Consorzio Nazionale, Dettaglianti Soc. Coop. a.r.l.	Italy	9,299 ^e	9,299 ^e	n/a	Supermarket	Albania, Italy	9.5%
81	H & M Hennes & Mauritz AB	Sweden	9,173	9,173	1,448	Apparel/Footwear Specialty	Austria, Belgium, Canada, Czech Rep., Denmark, Finland, France, Germany, Hungary, Rep. of Ireland, Italy, Kuwait, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, UAE, UK, US	11.5%
82	Dollar General Corp.	US	9,170	9,170	138	Discount Store	US	11.5%

Top 250 global retailers

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83	Dansk Supermarked A/S	Denmark	9,146 ^e	9,146 ^e	n/a	Apparel/Footwear Specialty, Department Store, Discount Store, Hypermarket/Supercenter/Superstore	Denmark, Germany, Poland, Sweden, UK	7.6%
84	ICA AB	Sweden	9,156	9,094 ^e	325	Convenience/Forecourt Store, Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Supermarket	Estonia, Latvia, Lithuania, Norway, Sweden	1.6%
85	OfficeMax, Inc.	US	8,966	8,966	92	Non-Store, Other Specialty	Mexico, Puerto Rico, US, Virgin Islands	3.9%
86	SPAR Österreichische Warenhandels-AG	Austria	8,962 ^e	8,962 ^e	n/a	Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Austria, Croatia, Czech Rep., Hungary, Italy, Slovenia	6.3%
87	The Daiei, Inc.	Japan	10,990	8,902 ^e	354	Apparel/Footwear Specialty, Department Store, Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Japan	-11.3%
88	S Group (SOK)	Finland	12,282	8,890 ^e	n/a	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Estonia, Finland, Latvia	9.7%
89	Avon Products, Inc.	US	8,764	8,677	478	Non-Store	Albania, Argentina, Australia, Austria, Bermuda, Bolivia, Bosnia, Brazil, Bulgaria, Canada, Cayman, Chile, China, Colombia, Croatia, Czech Republic, Dominican Republic, Ecuador, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Honduras, HongKong, Hungary, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Mauritius, Mexico, Moldova, Morocco, Netherlands, New Zealand, Nicaragua, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Romania, Russia, Serbia, Slovak Republic, Slovenia, South Africa, South Korea, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, UK, US, Uruguay, Vietnam, Venezuela	7.8%
90	Nordstrom, Inc.	US	8,561	8,561	678	Apparel/Footwear Specialty, Department Store, Non-Store	Belgium, France, Portugal, US	8.7%
91	Kesko Corporation	Finland	10,991	8,534 ^e	463	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Discount Store, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Estonia, Finland, Latvia, Lithuania, Norway, Russia, Sweden	6.7%

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92	Shinsegae Co., Ltd.	S. Korea	8,515	8,515	502	Department Store, Hypermarket/Supercenter/Superstore	China, S. Korea	10.1%
93	Army & Air Force Exchange Service (aka AAFES)	US	8,921	8,474	428	Convenience/Forecourt Store, Hypermarket/Supercenter/Superstore, Other Specialty	Global	4.0%
94	Kesa Electricals plc	UK	8,370	8,370	203	Electronics Specialty, Non-Store, Other Specialty	Belgium, Czech Rep., France, Italy, Netherlands, Slovakia, Switzerland, Turkey, UK	ne
95	BJ's Wholesale Club, Inc.	US	8,480	8,303	72	Cash & Carry/Warehouse Club	US	10.0%
96	Somerfield Group	UK	8,219 ^e	8,219 ^e	n/a	Convenience/Forecourt Store, Supermarket	UK	-1.5%
97	Takashimaya Company, Limited	Japan	8,983	8,061	217	Apparel/Footwear Specialty, Department Store	Japan, Singapore, Taiwan, US	-0.9%
98	Fa. Anton Schlecker	Germany	7,801 ^e	7,801 ^e	n/a	Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore	Austria, Belgium, Czech Rep., Denmark, France, Germany, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain	4.2%
99	Menard, Inc.	US	7,750 ^e	7,750 ^e	n/a	Home Improvement	US	7.9%
100	Dillard's, Inc.	US	7,636	7,636	246	Department Store	US	-1.3%
101	Bailian Group	China	7,534 ^e	7,534 ^e	n/a	Convenience/Forecourt Store, Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	China	ne
102	Winn-Dixie Stores, Inc.	US	7,201	7,201	301	Supermarket	US	-10.2%
103	C&A Europe	Belgium	7,190	7,190	n/a	Apparel/Footwear Specialty	Austria, Belgium, Czech Rep., France, Germany, Hungary, Luxembourg, Netherlands, Poland, Portugal, Russia, Spain, Switzerland	3.1%
104	Liberty Media Corp. / QVC, Inc.	US	8,613	7,074	856	Non-Store	Austria, Germany, Rep. of Ireland, Japan, UK, US	12.5%
105	Grupo Eroski	Spain	7,398 ^e	7,025 ^e	240	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	France, Spain	6.6%
106	Shoppers Drug Mart Corp.	Canada	6,868	6,868	373	Drug Store/Pharmacy	Canada	-72.6%
107	Canadian Tire Corporation, Limited	Canada	7,294	6,657	313	Apparel/Footwear Specialty, Convenience/Forecourt Store, Other Specialty	Canada	8.5%
108	Isetan Co., Ltd.	Japan	6,692	6,633	157	Apparel/Footwear Specialty, Department Store, Supermarket	China, Japan, Malaysia, Singapore, Thailand	6.5%
109	Bed Bath and Beyond, Inc.	US	6,617	6,617	594	Other Specialty	Puerto Rico, US	17.7%
110	Mitsukoshi, Ltd.	Japan	6,883	6,559	111	Department Store	China, France, Germany, Hong Kong SAR, Italy, Japan, Spain, Taiwan, UK, US	-3.5%

Top 250 global retailers

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111	Companhia Brasileira de Distribuicao SA Grupo Pão de Açúcar	Brazil	6,395	6,395	39	Convenience/Forecourt Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Supermarket	Brazil	11.5%
112	Family Dollar Stores, Inc.	US	6,395	6,395	195	Discount Store	US	11.8%
113	Co-operative Group Ltd.	UK	13,400	6,343	403	Apparel/Footwear Specialty, Convenience/Forecourt Store, Department Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	UK	5.9%
114	Alticor Inc. /Amway, Quixtar	US	6,300 ^e	6,162 ^e	n/a	Non-Store	Global	6.2%
115	Hudson's Bay Company	Canada	6,161 ^e	6,161 ^e	n/a	Apparel/Footwear Specialty, Department Store, Discount Department Store, Discount Store, Other Specialty	Canada	-0.8%
116	Edion Corporation	Japan	6,337	6,020	63	Electronics Specialty, Home Improvement	Japan	10.4%
117	The Daimaru, Inc.	Japan	7,152	5,985	148	Department Store, Supermarket	Japan	0.2%
118	The Pantry, Inc.	US	5,962	5,962	89	Convenience/Forecourt Store	US	17.9%
119	Cencosud S.A.	Chile	5,984	5,864 ^e	246	Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	Argentina, Chile	28.6%
120	Giant Eagle, Inc.	US	5,845 ^e	5,845 ^e	n/a	Convenience/Forecourt Store, Supermarket	US	6.2%
121	Foot Locker, Inc.	US	5,750	5,750	251	Apparel/Footwear Specialty, Non-Store	Austria, Australia, Belgium, Canada, Denmark, France, Germany, Guam, Rep. of Ireland, Italy, Luxembourg, Netherlands, New Zealand, Puerto Rico, Spain, Sweden, UK, US, Virgin Islands	5.6%
122	Next plc	UK	6,106	5,726	616	Apparel/Footwear Specialty, Non-Store, Other Specialty	Bahrain, Cyprus, Czech Rep., Denmark, Iceland, India, Indonesia, Rep. of Ireland, Japan, Kuwait, Lebanon, Malta, Oman, Qatar, Russia, Slovakia, Saudi Arabia, Thailand, Turkey, UAE, UK	12.1%
123	Pick 'n Pay Stores Ltd.	S. Africa	5,711	5,711	98	Apparel/Footwear Specialty, Convenience/Forecourt Store, Drug Store/Pharmacy, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Australia, Botswana, Namibia, S. Africa, Swaziland, Zimbabwe	15.9%
124	Esselunga S.p.A.	Italy	5,694 ^e	5,694 ^e	226	Supermarket	Italy	8.2%
125	Tokyu Corporation	Japan	11,830	5,652	503	Convenience/Forecourt Store, Department Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Japan	42.9%

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Top 250 global retailers

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126	Whole Foods Market, Inc.	US	5,607	5,607	204	Supermarket	Canada, UK, US	19.8%
127	Ross Stores, Inc.	US	5,570	5,570	242	Apparel/Footwear Specialty	Guam, US	13.3%
128	Ets Franz Colruyt S.A.	Belgium	6,682	5,548	337	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Non-Store, Other Specialty, Supermarket	Belgium, France	12.2%
129	Yodobashi Camera Co., Ltd.	Japan	5,532	5,532	125	Electronics Specialty	Japan	8.4%
130	Blockbuster, Inc.	US	5,524	5,462	55	Other Specialty	Argentina, Australia, Brazil, Canada, Chile, Colombia, Denmark, El Salvador, Guatemala, Rep. of Ireland, Israel, Italy, Mexico, New Zealand, Panama, Portugal, Spain, Taiwan, Thailand, UK, Uruguay, US, Venezuela.	1.6%
131	Shoprite Holdings Ltd.	S. Africa	5,429	5,429	151	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Angola, Botswana, Ghana, India, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, S. Africa, Tanzania, Uganda, Zambia, Zimbabwe	12.0%
132	Defense Commissary Agency (aka DeCA)	US	5,420	5,420 ^e	n/a	Supermarket	The Azores, Belgium, Egypt, Germany, Guam, Italy, Japan, Netherlands, Puerto Rico, Saudi Arabia, S. Korea, Spain, Turkey, UK, US	1.5%
133	Organizacion Soriana S.A. de C.V.	Mexico	5,361	5,361	247	Cash & Carry/Warehouse Club, Hypermarket/Supercenter/Superstore	Mexico	15.2%
134	GameStop Corp.	US	5,319	5,319	158	Other Specialty	Australia, Austria, Canada, Denmark, Finland, Germany, Guam, Ireland, Italy, New Zealand, Norway, Puerto Rico, Spain, Sweden, Switzerland, UK, US	36.5%
135	Hy-Vee, Inc.	US	5,300 ^e	5,300 ^e	n/a	Drug Store/Pharmacy, Supermarket	US	6.9%
136	Barnes & Noble, Inc.	US	5,261	5,261	151	Non-Store, Other Specialty	US	1.6%
137	AutoZone, Inc.	US	5,948	5,240	569	Other Specialty	Mexico, Puerto Rico, US	3.7%
138	Jerónimo Martins, SGPS SA	Portugal	5,536	5,202	190	Cash & Carry/Warehouse Club, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Poland, Portugal	1.8%
139	Reitangruppen AS	Norway	5,229	5,193 ^e	76	Convenience/Forecourt Store, Discount Store, Electronics Specialty, Other Specialty	Denmark, Norway, Sweden	5.7%
140	Groupe Galeries Lafayette SA	France	6,424	5,177 ^e	343	Convenience/Forecourt Store, Department Store, Hypermarket/Supercenter/Superstore, Other Specialty	France, Germany	-8.5%
141	Makro (SHV)	Netherlands	18,986	5,107	523	Cash & Carry/Warehouse Club, Other Specialty	Argentina, Brazil, China, Colombia, Indonesia, Pakistan, Philippines, Thailand, Venezuela	-1.4%

Top 250 global retailers

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142	Déathlon Group	France	5,031	5,031	n/a	Other Specialty	Belgium, Brazil, China, France, Germany, Hungary, Italy, Netherlands, Poland, Portugal, Russia, Spain, UK	7.4%
143	Albertson's LLC (formerly Albertson's, Inc.)	US	5,010 ^e	5,010 ^e	n/a	Convenience/Forecourt Store, Supermarket	US	-33.3%
144	RaceTrac Petroleum Inc.	US	5,000 ^e	5,000 ^e	n/a	Convenience/Forecourt Store	US	n/a
145	QuikTrip Corp.	US	5,000 ^e	5,000 ^e	n/a	Convenience/Forecourt Store	US	10.4%
146	Maxeda (formerly Royal Vendex KBB)	Netherlands	4,978	4,978	n/a	Apparel/Footwear Specialty, Department Store, Home Improvement, Other Specialty	Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Spain	-3.6%
147	Beisia Group	Japan	5,564 ^e	4,965 ^e	n/a	Convenience/Forecourt Store, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty	Japan	12.6%
148	Globus Holding GmbH & Co. KG	Germany	4,923 ^e	4,923 ^e	n/a	Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore	Czech Rep., Germany, Russia	2.0%
149	Dairy Farm International Holdings Limited	Hong Kong SAR	5,175	4,874 ^e	211	Convenience/Forecourt Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	China, Hong Kong SAR, India, Indonesia, S. Korea, Macau, Malaysia, Singapore, Taiwan, Thailand, Vietnam	0.9%
150	Massmart Holdings Limited	S. Africa	4,851	4,851	150	Cash & Carry/Warehouse Club, Discount Department Store, Electronics Specialty, Home Improvement	Botswana, Ghana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, S. Africa, Tanzania, Uganda, Zambia, Zimbabwe	19.2%
151	The Sherwin-Williams Co.	US	7,810	4,845	576	Home Improvement	Argentina, Brazil, Canada, Chile, Jamaica, Mexico, Peru, Puerto Rico, US, Uruguay, Virgin Islands	8.6%
152	RadioShack Corp.	US	4,778	4,778	73	Electronics Specialty	Puerto Rico, US, Virgin Islands	0.0%
153	Longs Drug Stores Corp.	US	5,097	4,777	74	Drug Store/Pharmacy	US	2.1%
154	Big Lots, Inc.	US	4,743	4,743	124	Discount Store	US	6.7%
155	CompUSA Inc.	US	n/a	4,700 ^e	n/a	Electronics Specialty, Non-Store	Puerto Rico, US	2.8%
156	Wawa Inc.	US	4,670 ^e	4,670 ^e	n/a	Convenience/Forecourt Store	US	19.7%
157	Advance Auto Parts, Inc.	US	4,617	4,617	231	Other Specialty	Puerto Rico, US, Virgin Islands	12.9%
158	Casas Bahia SA	Brazil	4,528 ^e	4,528 ^e	92	Electronics Specialty	Brazil	26.1%
159	S.A.C.I. Falabella	Chile	4,472	4,302 ^e	380	Department Store, Home Improvement, Hypermarket/Supercenter/Superstore	Argentina, Chile, Colombia, Peru	24.3%
160	Kojima Co., Ltd.	Japan	4,291	4,288 ^e	16	Electronics Specialty	Japan	0.2%
161	PetSmart, Inc.	US	4,234	4,234	185	Other Specialty	Canada, US	11.1%

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162	Luxottica Group S.p.A.	Italy	5,874	4,138	533	Other Specialty	Australia, Austria, Belgium, Canada, China, Czech Rep., France, Hong Kong SAR, Rep. of Ireland, Netherlands, New Zealand, Portugal, Puerto Rico, Singapore, Spain, UAE, UK, US	9.3%
163	Controladora Comercial Mexicana S.A. de C.V.	Mexico	4,191	4,124	203	Cash & Carry/Warehouse Club, Hypermarket/Supercenter/Superstore, Supermarket	Mexico	6.7%
164	Bic Camera Inc.	Japan	4,156	4,114	52	Electronics Specialty	Japan	27.0%
165	Celesio AG	Germany	27,096	4,108	529	Drug Store/Pharmacy	Belgium, Czech Rep., Rep. of Ireland, Italy, Netherlands, Norway, UK	9.8%
166	Wegmans Food Markets Inc	US	4,100 ^e	4,100 ^e	n/a	Supermarket	US	7.0%
167	Borders Group, Inc.	US	4,114	4,064	(151)	Other Specialty	Australia, Ireland, New Zealand, Puerto Rico, Singapore, UK, US	3.7%
168	dm-drogerie markt GmbH + Co. KG	Germany	4,062 ^e	4,062 ^e	49 ^e	Drug Store/Pharmacy	Austria, Bosnia & Herzegovina, Croatia, Czech Rep., Germany, Hungary, Serbia & Montenegro, Slovakia, Slovenia	9.2%
169	Pathmark Stores, Inc.	US	4,058	4,058	(18)	Supermarket	US	0.5%
170	Neiman Marcus, Inc.	US	4,106	4,030	57	Apparel/Footwear Specialty, Department Store, Non-Store	US	6.6%
171	Casey's General Stores, Inc.	US	4,023	4,023	62	Convenience/Forecourt Store	US	14.4%
172	Praktiker Bau- und Heimwerkermärkte Holding AG	Germany	3,972	3,972	104	Home Improvement	Bulgaria, Germany, Greece, Hungary, Luxembourg, Poland, Romania, Turkey	ne
173	Dollar Tree Stores, Inc.	US	3,969	3,969	192	Discount Store	US	14.8%
174	Apoteket AB	Sweden	5,065	3,888	61	Drug Store/Pharmacy	Sweden	2.2%
175	Fast Retailing Co., Ltd.	Japan	3,882	3,882	350	Apparel/Footwear Specialty	Belgium, China, France, Germany, Hong Kong SAR, Luxembourg, Italy, Japan, Portugal, S. Korea, Spain, UK, US	1.4%
176	Wesfarmers Limited/Bunnings	Australia	7,666	3,882	618	Home Improvement	Australia, New Zealand	10.0%
177	Michaels Stores, Inc.	US	3,865	3,865	41	Other Specialty	Canada, US	8.8%
178	Littlewoods Shop Direct Home Shopping Limited	UK	3,822 ^e	3,822 ^e	n/a	Non-Store	Rep. of Ireland, UK	1.5%
179	Sheetz, Inc.	US	3,800 ^e	3,800 ^e	n/a	Convenience/Forecourt Store	US	14.9%
180	CBA Kereskedelmi Kft.	Hungary	3,750 ^e	3,750 ^e	n/a	Supermarket	Bulgaria, Croatia, Hungary, Lithuania, Romania, Slovakia	22.6%

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181	Williams-Sonoma, Inc.	US	3,728	3,728	209	Non-Store, Other Specialty	Canada, US	12.3%
182	Norma Lebensmittelfilialbetrieb, GmbH & Co. KG	Germany	3,718 ^e	3,718 ^e	n/a	Discount Store, Drug Store/Pharmacy	Austria, Czech Rep., France, Germany	5.9%
183	Modelo Continente, S.G.P.S., S.A.	Portugal	4,220	3,718	199	Apparel/Footwear Specialty, Convenience/Forecourt Store, Electronics Specialty, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	Portugal	-4.7%
184	Gigas K's Denki Corporation	Japan	3,690	3,690	61	Electronics Specialty	Japan	ne
185	Belk, Inc.	US	3,685	3,685	182	Department Store	US	10.4%
186	Laurus N.V.	Netherlands	3,636	3,636	(57)	Supermarket	Netherlands	-14.7%
187	HMV Group plc	UK	3,620	3,620	31	Non-Store, Other Specialty	Belgium, Canada, Hong Kong SAR, Rep. of Ireland, Japan, Netherlands, Singapore, UK	2.7%
188	Marui Co. Ltd.	Japan	4,726	3,614	36	Apparel/Footwear Specialty, Department Store, Other Specialty	Japan	-1.0%
189	The Carphone Warehouse Group PLC	UK	7,555	3,613	127	Electronics Specialty, Non-Store	Belgium, France, Germany, Rep. of Ireland, Netherlands, Portugal, Spain, Sweden, Switzerland, UK	23.7%
190	Raley's Inc.	US	3,599 ^e	3,599 ^e	n/a	Convenience/Forecourt Store, Supermarket	US	1.7%
191	X5 Retail Group N.V.	Russia	3,551	3,551	103	Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Kazakhstan, Russia, Ukraine	ne
192	Signet Group plc	UK	3,521	3,521	263	Other Specialty	UK, US	3.7%
193	Stater Bros. Holdings, Inc.	US	3,508	3,508	26	Supermarket	US	6.4%
194	Life Corporation	Japan	3,583	3,494 ^e	14	Supermarket	Japan	1.8%
195	Dirk Rossmann GmbH	Germany	3,478	3,478	n/a	Drug Store/Pharmacy	Czech Rep., Germany, Hungary, Poland	26.9%
196	East Japan Railway Company	Japan	22,747	3,424	1,505	Convenience/Forecourt Store	Japan	1.7%
197	Burlington Coat Factory Warehouse Corp.	US	3,403	3,403	n/a	Department Store	US	5.7%
198	Woolworths Group plc	UK	5,090	3,372	25	Apparel/Footwear Specialty, Department Store	China, Rep. of Ireland, UAE, UK	-2.8%
199	GS Retail Co Ltd (previously LG Mart)	S. Korea	3,368	3,368	44	Convenience/Forecourt Store, Department Store, Hypermarket/Supercenter/Superstore, Supermarket	S. Korea	21.3%
200	The Bon-Ton Stores, Inc.	US	3,456	3,362	47	Department Store, Other Specialty	US	36.0%

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Retail sales rank (FY 06)	Name of company	Country of origin	2006 group sales* (US\$mil)	2006 retail sales (US\$mil)	2006 group income (loss)* (US\$mil)	Formats	Countries of operation	2001-2006 retail sales CAGR**
201	Shimamura Co., Ltd.	Japan	3,349	3,349	161	Apparel/Footwear Specialty	Japan, Taiwan	9.0%
202	Bertelsmann AG	Germany	24,241	3,348	3,045	Non-Store, Other Specialty	Australia, Austria, Belgium, Canada, China, Czech Rep., France, Germany, Hungary, Italy, Japan, Netherlands, New Zealand, Poland, Portugal, Russia, Slovakia, S. Korea, Spain, Sweden, Switzerland, Ukraine, UK, US	-2.9%
203	Berkshire Hathaway Inc./Retail	US	51,803	3,334	2,131	Other Specialty	US	10.8%
204	Abercrombie & Fitch Co.	US	3,318	3,318	422	Apparel/Footwear Specialty	Canada, US, UK	19.4%
205	Douglas Holding AG	Germany	3,299	3,295	94	Apparel/Footwear Specialty, Other Specialty	Austria, France, Czech Rep., Denmark, Germany, Italy, Hungary, Monaco, Netherlands, Poland, Portugal, Russia, Slovakia, Slovenia, Spain, Switzerland, Turkey, US	4.1%
206	IAC/InteractiveCorp/HSN	US	6,278	3,292	193	Non-Store	Austria, Germany, Switzerland, US	11.2%
207	Roundy's Supermarkets, Inc.	US	3,900 ^e	3,278 ^e	n/a	Supermarket	US	18.9%
208	Jim Pattison Group	Canada	5,557	3,273 ^e	n/a	Cash & Carry/Warehouse Club, Discount Store, Supermarket	Canada	3.4%
209	FEMSA Comercio, S.A. de C.V.	Mexico	3,261	3,261	n/a	Convenience/Forecourt Store, Discount Store	Mexico	28.6%
210	Arcadia Group Limited	UK	3,232	3,232	n/a	Apparel/Footwear Specialty	Austria, Bahrain, Bosnia & Herzegovina, Chile, Croatia, Cyprus, Denmark, Iceland, Indonesia, Israel, Kuwait, Lebanon, Malaysia, Malta, Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Serbia & Montenegro, Singapore, Slovenia, Spain, Sweden, Turkey, UAE, UK, US	-0.1%
211	Heiwado Co. Ltd.	Japan	3,533	3,215 ^e	51	Department Store, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	China, Japan	3.9%
212	El Puerto de Liverpool, SA de CV	Mexico	3,189	3,189 ^e	319	Department Store	Mexico	14.5%
213	Hankyu Department Stores, Inc.	Japan	3,389	3,166	69	Department Store, Supermarket	Japan	-0.9%
214	Blokker Holding N.V.	Netherlands	3,141 ^e	3,141 ^e	n/a	Discount Department Store, Other Specialty	Belgium, Croatia, France, Germany, Luxembourg, Morocco, Netherlands, Portugal, Spain, Switzerland, Turkey	9.3%

Top 250 global retailers

Retail sales rank (FY 06)	Name of company	Country of origin	2006 group sales* (US\$mil)	2006 retail sales (US\$mil)	2006 group income (loss)* (US\$mil)	Formats	Countries of operation	2001-2006 retail sales CAGR**
215	Hachette Distribution Services	France	4,624	3,131	112	Convenience/Forecourt Store, Other Specialty	Australia, Belgium, Canada, China, Czech Rep., Egypt, Fiji, France, Germany, Greece, Hong Kong SAR, Hungary, Lebanon, Poland, Portugal, Romania, Russia, Singapore, Spain, Switzerland, Turkey, UAE, UK, US	5.1%
216	Suning Appliance Co. Ltd.	China	3,126	3,126	90	Electronics Specialty	China	41.1%
217	Dick's Sporting Goods, Inc.	US	3,114	3,114	113	Other Specialty	US	23.7%
218	GOME Electrical Appliances Holding Limited	China	3,105	3,104	103	Electronics Specialty	China, Hong Kong SAR	65.8%
219	Retail Ventures, Inc.	US	3,068	3,068	(151)	Apparel/Footwear Specialty, Discount Department Store	US	6.1%
220	Debenhams plc	UK	3,065	3,065	78	Apparel/Footwear Specialty, Department Store	Bahrain, Cyprus, Czech Rep., Denmark, Iceland, Indonesia, Rep. of Ireland, Kuwait, Philippines, Qatar, Saudi Arabia, Sweden, UAE, UK	1.2%
221	Charming Shoppes, Inc.	US	3,068	3,064	109	Apparel/Footwear Specialty, Non-Store	US	9.0%
222	Cumberland Farms, Inc.	US	7,000 ^e	3,050 ^e	n/a	Convenience/Forecourt Store	US	15.3%
223	HORNBAACH-Baumarkt-AG	Germany	3,043	3,042	77	Home Improvement	Austria, Czech Rep., Germany, Luxembourg, Netherlands, Slovakia, Sweden, Switzerland	10.7%
224	Dalian Dashang Group	China	3,036 ^e	3,036 ^e	n/a	Department Store, Electronics Specialty, Other Specialty, Supermarket	China	36.0%
225	RONA Inc.	Canada	4,015	3,030	168	Home Improvement	Canada	13.4%
226	Gruppo PAM S.p.A., Gecos S.p.A.	Italy	3,088 ^e	3,029	n/a	Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	Italy	4.0%
227	Mervyn's, LLC	US	3,000 ^e	3,000 ^e	n/a	Department Store	US	-5.8%
228	Finiper S.p.a.	Italy	3,015 ^e	2,994 ^e	n/a	Hypermarket/Supercenter/Superstore, Other Specialty	Italy	8.8%
229	Euroset Group	Russia	2,973 ^e	2,973 ^e	n/a	Electronics Specialty	Azerbaijan, Belarus, Estonia, Kazakhstan, Kyrgyzstan, Lithuania, Moldova, Russia, Ukraine, Uzbekistan	137.0%
230	Metcash Trading Africa (Pty) Ltd.	S. Africa	3,125 ^e	2,962	n/a	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Electronics Specialty, Other Specialty, Supermarket	Angola, Botswana, Lesotho, Malawi, Namibia, S. Africa, Swaziland, Uganda, Zimbabwe	-13.3%
231	President Chain Store Corp.	Taiwan	3,074	2,961	118	Convenience/Forecourt Store, Department Store, Drug Store/Pharmacy, Other Specialty, Supermarket	Canada, China, Philippines, Taiwan, Vietnam	8.6%
232	Matsumoto-Kiyoshi Co. Ltd.	Japan	2,957	2,948 ^e	35	Drug Store/Pharmacy, Home Improvement	Japan	6.5%
233	Saks, Inc.	US	2,940	2,940	54	Apparel/Footwear Specialty, Department Store	US	-13.5%

*Group sales and income/loss may include results from non-retail operations.

**CAGR = Compound Annual Growth Rate

Name after forward slash is retail segment of parent company.

n/a = not available

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

e= estimate

Top 250 global retailers

Retail sales rank (FY 06)	Name of company	Country of origin	2006 group sales* (US\$mil)	2006 retail sales (US\$mil)	2006 group income (loss)* (US\$mil)	Formats	Countries of operation	2001-2006 retail sales CAGR**
234	Ruddick Corp. /Harris Teeter	US	3,266	2,923	72	Supermarket	US	3.9%
235	Izumiya Co. Ltd.	Japan	3,243	2,919	19	Department Store, Hypermarket/Supercenter/ Superstore, Supermarket	Japan	1.4%
236	Koç Holding/ Migros Türk TAS	Turkey	3,041	2,911 ^e	56	Discount Store, Hypermarket/Supercenter/ Superstore, Supermarket	Azerbaijan, Bulgaria, Kazakhstan, Kyrgyzstan, Macedonia, Russia, Turkey	34.3%
237	Axfood AB	Sweden	3,914	2,845	116	Cash & Carry/Warehouse Club, Convenience/Forecourt Store, Discount Store, Hypermarket/Supercenter/ Superstore, Supermarket	Sweden	0.8%
238	The Golub Corporation / Price Chopper	US	2,841 ^e	2,841 ^e	n/a	Supermarket	US	3.4%
239	Daiso Sangyo Inc.	Japan	2,825	2,825	n/a	Discount Store	Bahrain, Canada, Hong Kong SAR, Indonesia, Japan, Kuwait, Macao, New Caledonia, New Zealand, Oman, Qatar, Singapore, S. Korea, Taiwan, Thailand, UAE, US	3.3%
240	Groupe Vivarte	France	2,823 ^e	2,823 ^e	n/a	Apparel/Footwear Specialty	France, Spain, Switzerland	n/a
241	Linens Holding Co. (formerly Linens 'n Things Inc.)	US	2,819	2,819	(154)	Other Specialty	Canada, US	9.1%
242	Grupo Gigante, S.A. de C.V.	Mexico	2,983	2,806 ^e	27	Discount Store, Electronics Specialty, Hypermarket/ Supercenter/Superstore, Other Specialty, Supermarket	Costa Rica, El Salvador, Guatemala, Mexico, US	1.1%
243	Matsuzakaya Co. Ltd.	Japan	2,882	2,806	45	Department Store, Supermarket	Japan	-3.3%
244	Payless Shoe-Source, Inc.	US	2,797	2,797	122	Apparel/Footwear Specialty	Canada, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guam, Guatemala, Honduras, Nicaragua, Northern Mariana Islands (Saipan), Panama, Puerto Rico, Trinidad & Tobago, US, Virgin Islands	-0.8%
245	American Eagle Outfitters, Inc.	US	2,794	2,794	387	Apparel/Footwear Specialty	Canada, Puerto Rico, US	15.3%
246	Fuji Co. Ltd.	Japan	2,799	2,768 ^e	18	Drug Store/Pharmacy, Hypermarket/Supercenter/ Superstore, Supermarket	Japan	3.4%
247	Caprabo, S.A.	Spain	2,756	2,756	4	Supermarket	Spain	8.7%
248	Sports Authority	US	2,740 ^e	2,740 ^e	n/a	Other Specialty	US	14.1%
249	The Maruetsu, Inc.	Japan	2,799	2,732	30	Supermarket	Japan	0.0%
250	Liquor Control Board of Ontario	Canada	3,424	2,722 ^e	1,139	Other Specialty	Canada	5.8%

Top 250 global retailers alphabetical listing

Abercrombie & Fitch Co.	204	Daimaru, Inc.	117	Isetan Co., Ltd.	108	PetSmart, Inc.	161
Advance Auto Parts, Inc.	157	Dairy Farm International Holdings Limited	149	ITM Développement International (Intermarché)	24	Pick 'n Pay Stores Ltd.	123
AEON Co., Ltd.	21	Daiso Sangyo Inc.	239	Izumiya Co. Ltd.	235	PPR S.A.	40
Albertson's LLC (formerly Albertson's, Inc.)	143	Dalian Dashang Group	224	J Sainsbury Plc	26	Praktiker Bau- und Heimwerkermärkte Holding AG	172
Aldi GmbH & Co. oHG	11	Dansk Supermarked A/S	83	J.C. Penney Co., Inc.	37	President Chain Store Corp.	231
Alimentation Couche-Tard Inc.	59	Debenhams plc	220	Jean Coutu Group (PJC) Inc.	76	Publix Super Markets, Inc.	34
Alliance Boots plc	62	Décathlon Group	142	Jerónimo Martins, SGPS SA	138	QuickTrip Corp.	145
Alticor Inc. / Amway, Quixtar	114	Defense Commissary Agency (aka DeCA)	132	Jim Pattison Group	208	RaceTrac Petroleum Inc.	144
Amazon.com, Inc.	70	Delhaize Group	32	John Lewis Partnership Plc	72	RadioShack Corp.	152
American Eagle Outfitters, Inc.	245	Dell Inc.	66	KarstadtQuelle AG (now Arcandor AG)	64	Raley's Inc.	190
Apoteket AB	174	Dick's Sporting Goods, Inc.	217	Kesa Electricals plc	94	Reitangruppen AS	139
Arcadia Group Limited	210	Dillard's, Inc.	100	Kesko Corporation	91	Retail Ventures, Inc.	219
Army & Air Force Exchange Service (aka AAFES)	93	Dirk Rossmann GmbH	195	Kingfisher plc	44	Rewe-Zentral AG	14
AS Watson & Company, Ltd.	54	dm-drogerie markt GmbH + Co. KG	168	Koç Holding/Migros Türk TAS	236	Rite Aid Corp.	41
AutoZone, Inc.	137	Dollar General Corp.	82	Kohl's Corporation	46	RONA Inc.	225
Avon Products, Inc.	89	Dollar Tree Stores, Inc.	173	Kojima Co., Ltd.	160	Ross Stores, Inc.	127
Axfood AB	237	Douglas Holding AG	205	Koninklijke Ahold N.V	22	Roundy's Supermarkets, Inc.	207
Bailian Group	101	DSG International plc	49	Kroger Co.	6	Ruddick Corp. / Harris Teeter	234
Barnes & Noble, Inc.	136	East Japan Railway Company	196	Laurus N.V.	186	S Group (SOK)	88
Baugur Group hf.	47	Edeka Zentrale AG & Co. KG	17	Leroy Merlin Groupe (now Groupe Adeo)	78	S.A.C.I. Falabella	159
Bed Bath and Beyond, Inc.	109	Edion Corporation	116	Liberty Media Corp. / QVC, Inc.	104	Safeway, Inc.	19
Beisia Group	147	El Corte Inglés, S.A.	39	Life Corporation	194	Saks, Inc.	233
Belk, Inc.	185	El Puerto de Liverpool, SA de CV	212	Limited Brands, Inc.	71	Schwarz Unternehmens Treuhand KG	10
Berkshire Hathaway Inc. / Retail	203	Esselunga S.p.A.	124	Linens Holding Co. (formerly Linens 'n Things Inc.)	241	Sears Holdings Corp.	9
Bertelsmann AG	202	Ets Franz Colruyt S.A.	128	Liquor Control Board of Ontario	250	Seven & I Holdings Co., Ltd.	15
Best Buy Co., Inc.	23	Euroset Group	229	Loblaw Companies Limited	178	Sheetz, Inc.	179
Bic Camera Inc.	164	Fa. Anton Schleckler	98	Longs Drug Stores Corp.	153	Sherwin-Williams Co.	151
Big Lots, Inc.	154	Family Dollar Stores, Inc.	112	Lotte Shopping Co., Ltd.	79	Shimamura Co., Ltd.	201
BJ's Wholesale Club, Inc.	95	Fast Retailing Co., Ltd.	175	Louis Delhaize S.A.	55	Shinsegae Co., Ltd.	92
Blockbuster, Inc.	130	Federated Department Stores, Inc. (now Macy's, Inc.)	28	Lowe's Companies, Inc.	13	Shoppers Drug Mart Corp.	106
Blokker Holding N.V.	214	FEMSA Comercio, S.A. de C.V.	209	Luxottica Group S.p.A.	162	Shoprite Holdings Ltd.	131
Bon-Ton Stores, Inc.	200	Finiper S.p.a.	228	LVMH	69	Signet Group plc	192
Borders Group, Inc.	167	Foot Locker, Inc.	121	Makro (SHV)	141	Sobeys Inc.	63
Burlington Coat Factory Warehouse Corp.	197	Fuji Co. Ltd.	246	Marks & Spencer Plc	43	Somerfield Group	96
C&A Europe	103	GameStop Corp.	134	Maruetsu, Inc.	249	SPAR Österreichische Warenhandels-AG	86
Canadian Tire Corporation, Limited	107	Gap, Inc.	45	Marui Co. Ltd.	188	Sports Authority	248
Caprabo, S.A.	247	Giant Eagle, Inc.	120	Massmart Holdings Limited	150	Staples, Inc.	38
Carphone Warehouse Group PLC	189	Gigas K's Denki Corporation	184	MatsumotoKiyoshi Co. Ltd.	232	Stater Bros. Holdings, Inc.	193
Carrefour S.A.	2	Golub Corporation / Price Chopper	238	Matsuzakaya Co. Ltd.	243	Suning Appliance Co. Ltd.	216
Casas Bahia SA	158	Globus Holding GmbH & Co. KG	148	Maxeda (formerly Royal Vendex KBB)	146	SuperValu Inc.	27
Casey's General Stores, Inc.	171	GOME Electrical Appliances Holding Limited	218	Meijer, Inc.	52	Système U, Centrale Nationale	73
Casino Guichard-Perrachon S.A.	29	Groupe Auchan SA	16	Menard, Inc.	99	Takashimaya Company, Limited	97
CBA Kereskedelmi Kft.	180	Groupe Galeries Lafayette SA	140	Mercadona, S.A.	50	Target Corp.	7
Celesio AG	165	Groupe Vivarte	240	Mervyn's, LLC	227	Tengelmann Warenhandelsgesellschaft KG	30
Cencosud S.A.	119	Grupo Eroski	105	Metcash Trading Africa (Pty) Ltd.	230	Tesco plc	4
Centres Distributeurs E. Leclerc	20	Grupo Gigante, S.A. de C.V.	242	Metro AG	5	TJX Companies, Inc.	42
Charming Shoppes, Inc.	221	Gruppo PAM S.p.A., Gecos S.p.A.	226	Metro Inc.	77	Tokyu Corporation	125
Circuit City Stores, Inc.	56	GS Retail Co Ltd (previously LG Mart)	199	Michaels Stores, Inc.	177	Toys "R" Us, Inc.	53
Coles Group Ltd.	31	H & M Hennes & Mauritz AB	81	Migros-Genossenschafts Bund	57	Uny Co., Ltd.	75
Companhia Brasileira de Distribuição SA Grupo Pão de Açúcar	111	H.E. Butt Grocery Company	65	Mitsukoshi, Ltd.	110	Walgreen Co.	12
CompUSA Inc.	155	Hachette Distribution Services	215	Modelo Continente, S.G.P.S., S.A.	183	Wal-Mart Stores, Inc.	1
Conad Consorzio Nazionale, Dettaglianti Soc. Coop. a.r.l.	80	Hankyu Department Stores, Inc.	213	Neiman Marcus, Inc.	170	Wawa Inc.	156
Controladora Comercial Mexicana S.A. de C.V.	163	Heiwado Co. Ltd.	211	Next plc	122	Wegmans Food Markets Inc	166
Coop	68	HMV Group plc	187	Nordstrom, Inc.	90	Wesfarmers Limited/Bunnings	176
Coop Italia	51	Home Depot, Inc.	3	Norma Lebensmittelfilialbetrieb, GmbH & Co. KG	182	Whole Foods Market, Inc.	126
Coop Norden AB	61	Home Retail Group plc	67	Office Depot, Inc.	48	Williams-Sonoma, Inc.	181
Co-operative Group Ltd.	113	HORNBACH-Baumarkt-AG	223	OfficeMax, Inc.	85	Winn-Dixie Stores, Inc.	102
Costco Wholesale Corp.	8	Hudson's Bay Company	115	Organization Soriana S.A. de C.V.	133	WM Morrison Supermarkets Plc	33
Cumberland Farms, Inc.	222	Hy-Vee, Inc.	135	Otto Group	60	Woolworths Group plc	198
CVS Corp.	18	IAC/InteractiveCorp / HSN	206	Pantry, Inc.	118	Woolworths Ltd.	25
Daiei, Inc.	87	ICA AB	84	Pathmark Stores, Inc.	169	X5 Retail Group N.V.	191
		IKEA Group	35	Payless ShoeSource, Inc.	244	Yamada Denki Co., Ltd.	58
		Inditex S.A.	74			Yodobashi Camera Co., Ltd.	129

Economic concentration of the Top 10 continues to grow

The Top 10 retailers' share of total Top 250 sales continues to inch up. With combined sales of \$978.5 billion in fiscal 2006, a healthy 10.2% rise over 2005, the world's 10 largest retailers captured 30.1% of Top 250 sales. This compares with 29.4% in 2005, when this same group of companies comprised the Top 10 leader board.

While the names remained the same, Tesco overtook Metro to reach the #4 spot in the rankings. The rest of the Top 10 maintained their positions. Wal-Mart increased its lead over #2 Carrefour in 2006, with retail sales growth more than double the pace of its rival. Schwarz Group (operator of Lidl hard discount stores) remained secure in tenth place, outpacing direct competitor Aldi, #11.

Economic concentration of top 10 retailers, 2006

Top 250 rank	Name of company	Country of origin	2006 retail sales (US\$mil)	2006 Retail sales growth
1	Wal-Mart	US	344,992	10.4%
2	Carrefour	France	97,861	4.6%
3	Home Depot	US	90,837	11.4%
4	Tesco	UK	79,976	11.5%
5	Metro	Germany	74,857	7.4%
6	Kroger	US	66,111	9.2%
7	Target	US	59,490	13.1%
8	Costco	US	58,963	13.7%
9	Sears Holdings	US	53,012	7.9%
10	Schwarz	Germany	52,422	13.2%
Top 10			978,521	10.2%
Top 250			3,246,255	9.2%
Top 10 Share of Total			30.1%	

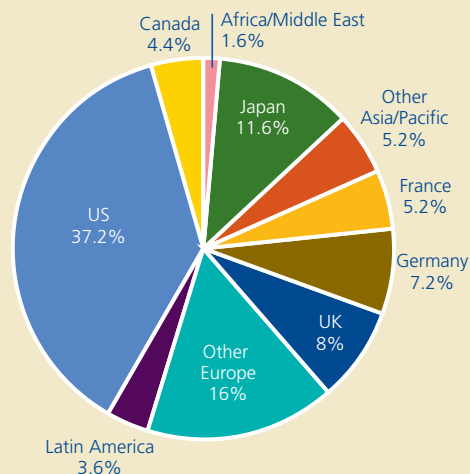
Source: published company data and Planet Retail

Japan loses ground, emerging markets gain

Because the Global Powers list is ranked in US dollars, exchange rates can have an impact on the results. With the decline of the US dollar relative to the euro, pound, Canadian

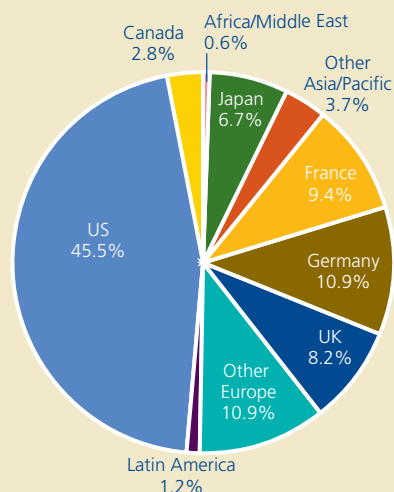
dollar and other currencies, one might have expected to see fewer US companies on the list in 2006, but that is not the case. Ninety-three of the Top 250 were US-based retailers, the same number as in 2005. With 37.2% of the Top 250 companies and 45.5% of Top 250 sales, the US still represents by far the largest share.

Share of top 250 retailers by region/country, 2006



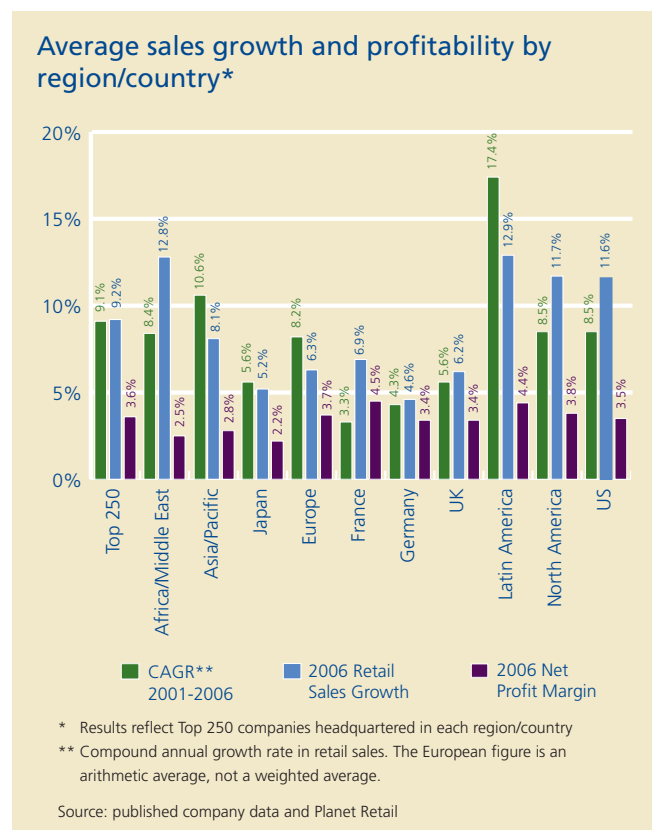
Source: published company data and Planet Retail

Share of top 250 sales by region/country, 2006



Source: published company data and Planet Retail

However, the composition of the current list does appear to have been impacted by currency exchange rates. Compared with 2005, Canada gained one spot, Europe gained two, and the Asia/Pacific region (excluding Japan) added three more retailers to the Top 250. Geographically, the biggest change in the current list is Japan's loss of five companies, dropping from 34 to 29. This suggests that the appreciation of the dollar against the yen had a negative impact on Japanese companies. More important, weak growth (measured in local currency) for many of the Japanese retailers contributed to the country's decline in the rankings.



As would be expected, retailers in emerging markets enjoyed above-average growth in 2006. The Latin American retailers among the Top 250 grew sales 12.9%, on average. This was followed closely by four retailers from South Africa that comprise the Africa/Middle East group, with 12.8% year-over-year growth. Asia/Pacific, with 8.1% average retail sales growth, was dragged down by Japan's 5.2% pace. Excluding Japan, the other Asia/Pacific-based companies grew at an average 15.2% pace.

Region/country profiles*

	No. of Companies	Average 2006 retail sales (US\$mil)	Average no. of countries, 2006
Top 250**	250	\$12,985	6.2
Africa/Middle East	4	\$4,738	11.3
Asia/Pacific	42	\$8,013	3.7
Japan	29	\$7,448	3.0
Europe	91	\$14,075	10.5
France	13	\$23,444	15.1
Germany	18	\$19,732	13.7
UK	20	\$13,384	9.7
Latin America	9	\$4,426	1.9
North America**	104	\$15,097	3.6
US**	93	\$15,899	3.9

* Results reflect Top 250 retailers headquartered in each region/country

** Average number of countries excludes Dell, Alticor (Amway), Avon, and AAFES, whose global or near-global coverage would skew the average

Source: published company data and Planet Retail

North American retailers also recorded above-average year-over-year growth in 2006: 11.7%, on average, vs. 9.2% for the Top 250. Over the longer term, however, the increase was not as impressive. From 2001 through 2006, compound annual sales growth for companies based in the US and Canada fell below the Top 250 average.

Retailers in the Latin America and Asia/Pacific regions (excluding Japan) maintained their robust growth over the longer period. Three of the four South African companies also outpaced the Top 250's five-year compound annual growth rate. The fourth, Metcash Trading, dragged down the average, having sold its Australian operations (which accounted for 65% of its sales volume) in 2005.

Growth rates for the European retailers, especially those based in the saturated and intensely competitive markets of France, Germany and the UK, were sub-par. In search of continued growth, French and German companies, in particular, have expanded well beyond their domestic borders. On average, the French companies had retail operations in 15.1 countries in 2006. German retailers were doing business in an average 13.7 countries. These rates are more than double the average of 6.2 countries for the Top 250 as a whole. As a result, these retailers tend to be considerably larger than retailers based in other regions, but room for continued expansion has become more limited.

By contrast, US retailers have stayed closer to home, doing business in an average 3.9 countries in 2006, while the average Japanese retailer operated in three countries. Latin American companies tend to be the most insular. The number of countries of operation for the retailers based in this region averaged just 1.9.

Average profit margins for the various geographic regions reflect the predominant retail formats operated by the retailers in those regions. While the Latin American companies generated above-average profitability at 4.4% of sales, matching their robust sales growth, the four African companies, which operate primarily low-margin food-based formats, did not fare as well. Many of the Asia/Pacific-based companies are also primarily food retailers. As well, this region is represented by a high number of consumer electronics merchants, which contributed to a low average profit margin. Higher-margin apparel and specialty retailers are more likely to be found among the North American and European regions, contributing to better profitability performance for these groups.

Top 10 retailers by region

All of the Top 10 North American retailers are among the 20 largest retailers worldwide. All are based in the US. The largest Canadian retailer, Loblaw, ranks well down the Top 250 list at 36th overall. Changes from last year's list include the break-up of Albertsons, which was replaced on the region's Top 10 list by CVS. Walgreens surpassed Lowe's to claim seventh place among the US pack.

Top 10 North American retailers, 2006

N. America rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	1	Wal-Mart	\$345.0	US
2	3	Home Depot	\$90.8	US
3	6	Kroger	\$66.1	US
4	7	Target	\$59.5	US
5	8	Costco	\$59.0	US
6	9	Sears Holdings	\$53.0	US
7	12	Walgreens	\$47.4	US
8	13	Lowe's	\$46.9	US
9	18	CVS	\$40.3	US
10	19	Safeway	\$40.2	US

Source: published company data and Planet Retail

The Top 10 European retailers remained the same in 2006 with a slight change in the order. Tesco climbed to the #2 spot ahead of Metro, while Ahold continued to fall, landing in tenth place behind Leclerc. Tesco continues to gain on Carrefour, Europe's biggest retailer.

Japan is losing its dominance in the Asia/Pacific region. In last year's Global Powers of Retailing report, Japanese companies accounted for seven of the region's top 10 retailers. In 2006, Japan is represented by five companies. South Korea appears for the first time on the Asia/Pacific Top 10 as home to Lotte Shopping Company and Shinsegae Company. In only its second year as a new company, Seven & I Holdings has overtaken AEON as the #1 ranked Asian retailer. Established in 2005 by Ito-Yokado, Seven Eleven Japan, and Denny's Japan, this global powerhouse now also includes the Millennium Retailing Group and York-Benimaru, among others.

While many of the Latin American retailers moved up in the rankings in 2006, the region still has only nine companies among the Top 250. The largest is Brazil's Grupo Pão de Açúcar, which is 34% owned by France's Casino. In last year's analysis, the company was accounted for as part of Casino's international operations. However, because the retailer is only proportionately consolidated into Casino's results, it has been listed as a separate entity. Last year's top-ranked Latin American retailer, Casas Bahia, has fallen to fourth place. Chile's Distribucion y Servicio (#236 in 2005) did not generate sufficient sales to place among this year's Top 250.

The four retailers from Africa/Middle East is one less than last year. All are headquartered in South Africa. Pick 'n Pay

Top 10 European retailers, 2006

Europe rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	2	Carrefour	\$97.9	France
2	4	Tesco	\$80.0	UK
3	5	Metro	\$74.9	Germany
4	10	Schwarz	\$52.4	Germany
5	11	Aldi	\$50.0	Germany
6	14	Rewe	\$45.9	Germany
7	16	Auchan	\$43.2	France
8	17	Edeka Zentrale	\$40.7	Germany
9	20	E. Leclerc	\$38.7	France
10	22	Ahold	\$37.1	Netherlands

Source: published company data and Planet Retail

Top 10 Asia/Pacific retailers, 2006

Asia/Pac rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	15	Seven & I Holdings	\$43.8	Japan
2	21	AEON	\$38.1	Japan
3	25	Woolworths	\$32.5	Australia
4	31	Coles Group	\$25.6	Australia
5	54	AS Watson	\$12.8	Hong Kong SAR
6	58	Yamada Denki	\$12.4	Japan
7	75	Uny	\$10.2	Japan
8	79	Lotte	\$9.4	S. Korea
9	87	The Daiei	\$8.9	Japan
10	92	Shinsegae	\$8.5	S. Korea

Source: published company data and Planet Retail

Top Latin American retailers, 2006

Lat. America rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	111	CBD/Grupo Pão de Açúcar	\$6.4	Brazil
2	119	Cencosud	\$5.9	Chile
3	133	Soriana	\$5.4	Mexico
4	158	Casas Bahia	\$4.5	Brazil
5	159	Falabella	\$4.3	Chile
6	163	Comercial Mexicana	\$4.1	Mexico
7	209	FEMSA Comercio	\$3.3	Mexico
8	212	El Puerto de Liverpool	\$3.2	Mexico
9	242	Grupo Gigante	\$2.8	Mexico

Source: published company data and Planet Retail

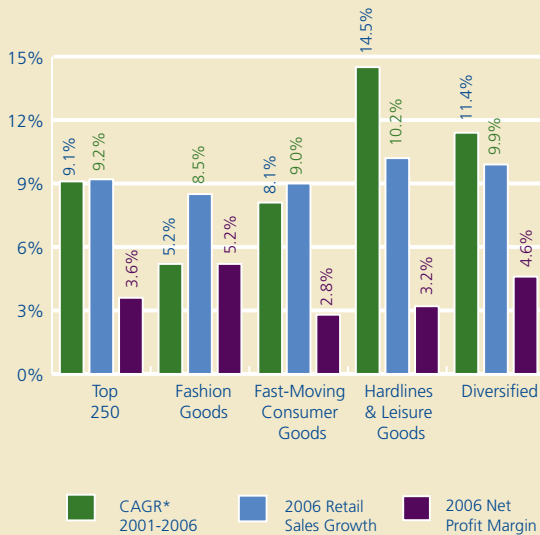
Top Africa/Middle East retailers, 2006

Africa/ME rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	123	Pick 'n Pay	\$5,711.0	S. Africa
2	131	Shoprite Holdings	\$5,429.0	S. Africa
3	150	Massmart	\$4,851.0	S. Africa
4	230	Metcash Africa	\$2,962.0	S. Africa

Source: published company data and Planet Retail

maintained its leading position in the region. Edgars Stores, last year's fifth-place retailer, did not make the Top 250 cut in 2006.

Average sales growth and profitability by product sector



*CAGR = Compound Annual Growth Rate in retail sales
Source: published company data and Planet Retail

Product sector analysis – Maslow’s hierarchy of needs plays out in retail

Product sector profiles

	No. of Companies	Average 2006 retail sales (US\$mil)	Average No. of countries, 2006
Top 250*	250	\$12,985	6.2
Fashion Goods	49	\$6,763	8.1
Fast-Moving Consumer Goods*	133	\$16,472	4.7
Hardlines & Leisure Goods*	53	\$9,885	8.4
Diversified	15	\$13,352	5.5

** Average number of countries excludes Dell, Alticor (Amway), Avon, and AAFES, whose global or near-global coverage would skew the average

Source: published company data and Planet Retail

Everyone needs to eat. Thus, retailers of food and other fast-moving consumer goods are by far the largest, with average 2006 sales of \$16.5 billion. These companies are not only large, they are also lean. This sector's 2006 net profit margin averaged just 2.8%.

Supermarkets, drug stores, and other sellers of fast-moving consumer goods continue to be the predominant operational formats among the Top 250 retailers. However, as the

basic need for food and shelter becomes increasingly satisfied around the world, consumer spending is turning more toward self-esteem and self-actualization.

This is borne out by the number of Top 250 retailers that operate various format types. For example, in 2006, 49 companies operated apparel and/or footwear specialty stores. This is up from 47 and 40 in the past two Global Powers of Retailing studies. The number of retailers that operate consumer electronics stores has increased to 37 from 36 in 2005 and 34 in 2004. "Other specialty" retailers (including those specializing in sporting goods, furniture and home décor, toys and hobby goods,

Retail formats operated by top 250 retailers



Source: published company data and Planet Retail

■ Top 250 2006

jewelry, auto parts, and office supplies) are also on the rise, with 88 in 2006, compared with 84 in 2005 and 80 in 2004.

Although the number of Top 250 retailers operating food-related formats did not drop off in 2006, the mix of formats continues to evolve. More retailers operated hypermarkets/supercenters/superstores and hard discount formats, while fewer operated supermarkets and free-standing drug stores.

Fashion goods retailers (apparel, footwear, jewelry, accessories and home textiles) are only about half the size of the typical Top 250 retailer, with sales of \$6.8 billion, on average. As a group, retailers of fashion goods have grown more slowly over the past five years than retailers in the other three product groups, dragged down by relatively weak department store results compared with the specialty stores. However, sales growth rebounded in 2006, particularly within the department store sector. While slower-growing, the fashion goods sector

enjoyed considerably above-average returns, with net profits averaging 5.2% of sales in 2006.

Hardlines & leisure goods retailers have the most global store networks. The average company in this product sector operated in 8.4 countries in 2006, compared with 6.2 for the Top 250 as a whole. International expansion helped drive sales growth for this sector to an industry-leading 14.5% compounded annually from 2001-06.

Retailers considered “diversified” are those where none of the other three product categories accounted for at least 50% of total sales volume in 2006. With a broad product offer encompassing food, apparel, homegoods and other general merchandise — and often with a range of retail formats from supermarkets to department stores to specialty stores — these companies tend to be large. Diversification appears to have paid off in terms of strong growth and good profit margins.

Top 10 fast-moving consumer goods retailers, 2006

Sector rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	1	Wal-Mart	\$345.0	US
2	2	Carrefour	\$97.9	France
3	4	Tesco	\$80.0	UK
4	5	Metro	\$74.9	Germany
5	6	Kroger	\$66.1	US
6	8	Costco	\$59.0	US
7	10	Schwarz	\$52.4	Germany
8	11	Aldi	\$50.0	Germany
9	12	Walgreens	\$47.4	US
10	14	Rewe	\$45.9	Germany

Source: published company data and Planet Retail

Top 10 fashion goods retailers, 2006

Sector rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	28	Federated Dept. Stores	\$27.0	US
2	37	J.C. Penney	\$19.9	US
3	42	TJX	\$17.4	US
4	45	Gap	\$15.9	US
5	46	Kohl's	\$15.5	US
6	60	Otto Group	\$11.7	Germany
7	64	KarstadtQuelle	\$11.4	Germany
8	69	LVMH	\$10.8	France
9	71	Limited Brands	\$10.7	US
10	74	Inditex	\$10.3	Spain

Source: published company data and Planet Retail

Top 10 hardlines & leisure goods retailers, 2006

Sector rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	3	Home Depot	\$90.8	US
2	13	Lowe's	\$46.9	US
3	23	Best Buy Co.	\$35.9	US
4	35	IKEA	\$21.2	Sweden
5	38	Staples	\$18.2	US
6	40	PPR	\$17.6	France
7	44	Kingfisher	\$16.1	UK
8	48	Office Depot	\$15.0	US
9	49	DSG	\$14.4	UK
10	53	Toys “R” Us	\$13.1	US

Source: published company data and Planet Retail

Top 10 diversified retailers, 2006

Sector rank	Top 250 rank	Company	Retail sales (US\$ billions)	Country of origin
1	7	Target	\$59.5	US
2	9	Sears Holdings	\$53.0	US
3	39	El Corte Inglés	\$17.6	Spain
4	43	Marks & Spencer	\$16.3	UK
5	79	Lotte	\$9.4	S. Korea
6	91	Kesko	\$8.5	Finland
7	125	Tokyu	\$5.7	Japan
8	140	Gr. Galeries Lafayette	\$5.2	France
9	154	Big Lots	\$4.7	US
10	159	Falabella	\$4.3	Chile

Source: published company data and Planet Retail

Top 10 retailers by major product sector

The Top 10 retailers by major product sector did not change substantially in 2006.

Walgreens has joined the ranks of the Top 10 retailers of fast-moving consumer goods, while Target has been reclassified as a “diversified” retailer as no single product category accounted for 50% or more of its 2006 sales. Target’s largest category, “consumables and commodities,” generated 32% of its 2006 sales volume. With 133 companies, or more than half of the Top 250, predominantly sellers of fast-moving consumer goods, it is not surprising that all of the Top 10 retailers in this sector are among the 15 largest retailers in the world.

The hardlines & leisure goods sector is comprised of 53 retailers, the same number as last year. Compared with 2005, Dell dropped out of the Top 10 and was replaced by Toys “R” Us.

The fashion goods group experienced a shake-up with LVMH joining the Top 10 list in eighth place and Inditex replacing H&M as the bigger multi-national specialty chain. LVMH’s ascension into the ranks of the 10 largest fashion goods retailers was due primarily to a change in the way the company’s sales were accounted for. In prior years, LVMH’s retail sales, for purpose of the Global Powers of Retailing study, included only the company’s “Selective Retailing” segment. This year’s edition includes the retail sales of the branded shops in all of the company’s business segments. As noted earlier, Millennium Retailing of Japan, last year’s #9 fashion goods retailer, has been removed from the list as a separate company as its sales are now consolidated under Seven & I Holdings.

Changes in rank worth noting

Among this year’s Top 250, 34 companies ascended the ranks by 10 or more places, many as a result of mergers and acquisitions. These “climbers” include GameStop, the world’s largest video game retailer with over 4,700 stores around the world. The company merged with rival Electronics Boutique in October 2005 to land at #134, up from #201 the year before.

Canadian food and drug retailer Metro acquired A&P Canada from Tengelmann near the end of its fiscal year 2005. This resulted in a jump in the rankings from #121 to #77. In the US, SuperValu acquired more than 1,100 stores from Albertsons, Inc. in June 2006 to boost the company 39 places to #27 among the world’s largest retailers.

More modest, but still impressive gains were also made through organic growth by companies such as Falabella and Cencosud in Chile, Colruyt in Belgium, and PetSmart and Abercrombie & Fitch in the US.

However, the biggest positive changes in rank were due not to particularly rapid growth, but rather to changes in how the retail sales of various companies (e.g., LVMH mentioned above) were accounted for. Other information sources were used this year for many of the privately held companies in order to provide a more consistent basis for year-over-year comparisons. This had a significant impact on many convenience store companies in the US, such as Wawa, RaceTrac Petroleum, and QuikTrip. As a result, these companies should be evaluated on the basis of their individual sales growth rates rather than their rise in the rankings.

Forty companies dropped 10 or more places down the list in 2006. Fifteen of those companies are based in Japan, representing more than half of all the Japanese companies on the Top 250. As noted above, at least part of this fallout was the impact of exchange rates.

Two companies dropped more than 100 places from last year’s rankings. Albertsons LLC (#143), which experienced the biggest decline, is all that remains of Albertsons, Inc. That company was 16th on last year’s list and once the second largest grocery chain in the US. In January 2006, Albertsons entered into a series of agreements providing for the sale of parts of its businesses to SuperValu, CVS, and a consortium of investors (the current Albertsons LLC).

Saks, Inc. had the second-biggest decline, plummeting 120 places from #113 to #233. The retailer sold its Saks Department Stores Group (Proffitt’s and McRae’s) to Belk in July 2005 and its Northern Department Stores Group (operating under various nameplates) to Bon-Ton Stores in March 2006.

Advent of Chinese, Russian retailers

This year, 18 companies joined the ranks of the Top 250. For the first time, the Global Powers include retailers from China and Russia. China's representatives include Bailian Group (#101), Suning Appliance Co. (#216), GOME Electrical Appliances Holding Limited (#218), and Dalian Dashang Group (#224).

Bailian Group is a very complex organization consisting of many separate operating companies. The group's principal activities are the operation of department stores and supermarkets. It was formed in 2003 when the Shanghai municipal government merged several retailing groups in an effort to reduce costs and compete more effectively against the onslaught of foreign companies such as Wal-Mart and Carrefour. Dalian Dashang Group's retail subsidiaries are active in the department store, supermarket, electronics, and home furnishings sectors.

Suning Appliance Company and GOME compete in the consumer electronics and household appliance sector. Both companies have expanded rapidly over the past two years, and together they control about 20% of the Chinese market in these categories.

New to the Top 250 from Russia are X5 Retail Group (#191) and Euroset Group (#229). X5 was formed in May 2006 through the merger of Pyaterochka and Perekrestok, two leading Russian chains. With stores in 22 regions of the Russian Federation plus Kazakhstan and Ukraine, X5 is the largest multi-format food retailer in Russia. Privately owned Euroset is the country's largest mobile handset retailer.

Migros Türk (#236), owned by Koç Holding, the largest conglomerate in Turkey, and Hungary's CBA Kereskedelmi (#180) join the four Chinese and two Russian retailers as Top 250 newcomers.

Home Retail Group, the highest ranked newcomer on the list at #67, demerged from GUS plc in October 2006. The UK's leading home and general merchandise retailer is comprised of two British household names: Homebase and Argos.

Top 250 newcomers, 2006

Top 250 rank	Name of company	Country of origin
67	Home Retail Group plc	UK
101	Bailian Group	China
111	Companhia Brasileira de Distribuicao SA Grupo Pão de Açúcar	Brazil
174	Apoteket AB	Sweden
180	CBA Kereskedelmi Kft.	Hungary
191	X5 Retail Group N.V.	Russia
200	The Bon-Ton Stores, Inc.	US
214	Blokker Holding N.V.	Netherlands
216	Suning Appliance Co. Ltd.	China
218	GOME Electrical Appliances Holding Limited	China
222	Cumberland Farms, Inc.	US
224	Dalian Dashang Group	China
225	RONA Inc.	Canada
229	Euroset Group	Russia
236	Koç Holding/Migros Türk TAS	Turkey
240	Groupe Vivarte	France
245	American Eagle Outfitters, Inc.	US
250	Liquor Control Board of Ontario	Canada

Source: published company data and Planet Retail

Fastest 50 benefit from newcomers

The 50 fastest-growing retailers increased sales an average 28.7% over the 2001-06 period, more than three times the rate of the Top 250. Eight of the 18 newcomers to the Global Powers list also have the distinction of being among the Fastest 50. Newcomer Euroset Group of Russia tops the list with compound annual sales growth of 137%. Two of the four Chinese retailers, GOME and Suning, are also near the top based on their five-year sales growth.

Iceland's Baugur Group, which was the fastest-growing retailer on last year's list, has dropped to second-fastest. The company, which generates the vast majority of its retail sales in the UK, has continued its acquisition spree. In recent years, some of

the companies it has acquired or invested in include Big Food Group, Hamleys (toys), Magasin Du Nord and House of Fraser (department stores), Goldsmiths and Mappin & Webb (jewelry), MK One (apparel), and Merlin (electronics).

Tapping underserved geographic markets and focusing on high-growth product categories has helped many of the Fastest 50 achieve robust growth. However, retailers in this elite group hail from every region and represent virtually all merchandise categories and retail formats. This demonstrates that companies with a superior value proposition can find many pathways to growth.

50 fastest-growing retailers 2001-2006

Growth rank	Top 250 rank	Name of company	Country of origin	Formats	2006 retail sales (US\$mil)	2001-2006 CAGR*
1	229	Euroset Group	Russia	Electronics Specialty	2,973	137.0%
2	47	Baugur Group hf.	Iceland	Apparel/Footwear Specialty, Cash&Carry/Warehouse Club, Convenience/Forecourt Store, Department Store, Discount Store, Drug Store/Pharmacy, Electronics Specialty, Other Specialty, Supermarket	15,033	112.0%
3	218	GOME Electrical Appliances Holding Limited	China	Electronics Specialty	3,104	65.8%
4	59	Alimentation Couche-Tard Inc.	Canada	Convenience/Forecourt Store	12,087	51.2%
5	76	The Jean Coutu Group (PJC) Inc.	Canada	Drug Store/Pharmacy	9,786	49.3%
6	125	Tokyu Corporation	Japan	Convenience/Forecourt Store, Department Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	5,652	42.9%
7	216	Suning Appliance Co. Ltd.	China	Electronics Specialty	3,126	41.1%
8	54	AS Watson & Company, Ltd.	Hong Kong SAR	Discount Store, Drug Store/Pharmacy, Electronics Specialty, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	12,764	38.0%
9	134	GameStop Corp.	US	Other Specialty	5,319	36.5%
10	200	The Bon-Ton Stores, Inc.	US	Department Store, Other Specialty	3,362	36.0%
11	224	Dalian Dashang Group	China	Department Store, Electronics Specialty, Other Specialty, Supermarket	3,036	36.0%
12	236	Koç Holding/Migros Türk TAS	Turkey	Discount Store, Hypermarket/Supercenter/Superstore, Supermarket	2,911	34.3%
13	119	Cencosud S.A.	Chile	Department Store, Home Improvement, Hypermarket/Supercenter/Superstore, Supermarket	5,864	28.6%
14	209	FEMSA Comercio, S.A. de C.V.	Mexico	Convenience/Forecourt Store, Discount Store	3,261	28.6%
15	70	Amazon.com, Inc.	US	Non-Store	10,711	28.0%
16	164	Bic Camera Inc.	Japan	Electronics Specialty	4,114	27.0%
17	195	Dirk Rossmann GmbH	Germany	Drug Store/Pharmacy	3,478	26.9%
18	158	Casas Bahia SA	Brazil	Electronics Specialty	4,528	26.1%

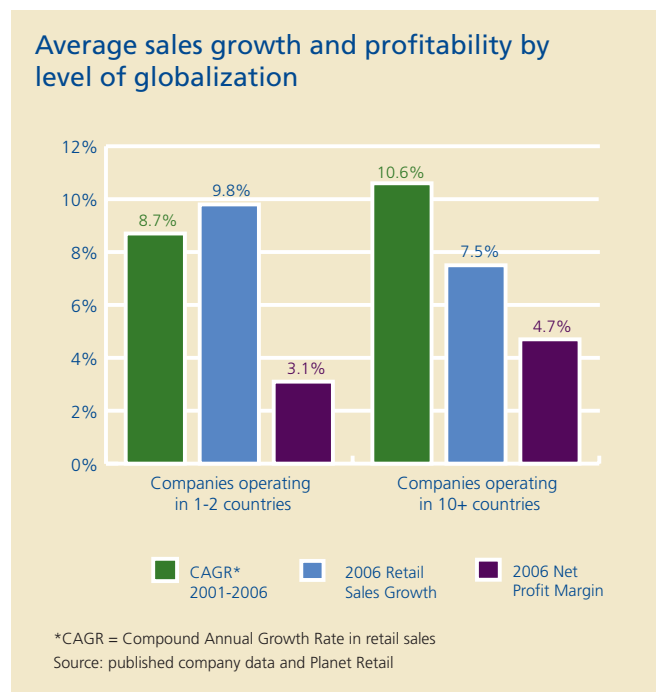
Growth rank	Top 250 rank	Name of company	Country of origin	Formats	2006 retail sales (US\$mil)	2001-2006 CAGR*
19	33	WM Morrison Supermarkets Plc	UK	Supermarket	23,035	25.9%
20	159	S.A.C.I. Falabella	Chile	Department Store, Home Improvement, Hypermarket/Supercenter/Superstore	4,302	24.3%
21	27	SuperValu Inc.	US	Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Supermarket	28,016	24.0%
22	189	The Carphone Warehouse Group PLC	UK	Electronics Specialty, Non-Store	3,613	23.7%
23	217	Dick's Sporting Goods, Inc.	US	Other Specialty	3,114	23.7%
24	180	CBA Kereskedelmi Kft.	Hungary	Supermarket	3,750	22.6%
25	50	Mercadona, S.A.	Spain	Supermarket	14,178	21.9%
26	74	Inditex S.A.	Spain	Apparel/Footwear Specialty, Other Specialty	10,251	21.6%
27	199	GS Retail Co Ltd (previously LG Mart)	S. Korea	Convenience/Forecourt Store, Department Store, Hypermarket/Supercenter/Superstore, Supermarket	3,368	21.3%
28	58	Yamada Denki Co., Ltd.	Japan	Electronics Specialty	12,358	20.8%
29	126	Whole Foods Market, Inc.	US	Supermarket	5,607	19.8%
30	156	Wawa Inc.	US	Convenience/Forecourt Store	4,670	19.7%
31	204	Abercrombie & Fitch Co.	US	Apparel/Footwear Specialty	3,318	19.4%
32	150	Massmart Holdings Limited	S. Africa	Cash & Carry/Warehouse Club, Discount Department Store, Electronics Specialty, Home Improvement	4,851	19.2%
33	207	Roundy's Supermarkets, Inc.	US	Supermarket	3,278	18.9%
34	118	The Pantry, Inc.	US	Convenience/Forecourt Store	5,962	17.9%
35	109	Bed Bath and Beyond, Inc.	US	Other Specialty	6,617	17.7%
36	77	Metro Inc.	Canada	Convenience/Forecourt Store, Discount Store, Drug Store/Pharmacy, Hypermarket/Supercenter/Superstore, Supermarket	9,581	17.6%
37	13	Lowe's Companies, Inc.	US	Home Improvement	46,927	16.2%
38	123	Pick 'n Pay Stores Ltd.	S. Africa	Apparel/Footwear Specialty, Convenience/Forecourt Store, Drug Store/Pharmacy, Home Improvement, Hypermarket/Supercenter/Superstore, Other Specialty, Supermarket	5,711	15.9%
39	46	Kohl's Corporation	US	Department Store	15,544	15.7%
40	245	American Eagle Outfitters, Inc.	US	Apparel/Footwear Specialty	2,794	15.3%
41	222	Cumberland Farms, Inc.	US	Convenience/Forecourt Store	3,050	15.3%
42	133	Organizacion Soriana S.A. de C.V.	Mexico	Cash & Carry/Warehouse Club, Hypermarket/Supercenter/Superstore	5,361	15.2%
43	78	Leroy Merlin Groupe (now Groupe Adeo)	France	Home Improvement	9,422	15.1%
44	179	Sheetz, Inc.	US	Convenience/Forecourt Store	3,800	14.9%
45	173	Dollar Tree Stores, Inc.	US	Discount Store	3,969	14.8%
46	212	El Puerto de Liverpool, SA de CV	Mexico	Department Store	3,189	14.5%
47	171	Casey's General Stores, Inc.	US	Convenience/Forecourt Store	4,023	14.4%
48	248	Sports Authority	US	Other Specialty	2,740	14.1%
49	12	Walgreen Co.	US	Drug Store/Pharmacy	47,409	14.0%
50	18	CVS Corp.	US	Drug Store/Pharmacy	40,286	13.6%

**CAGR = Compound Annual Growth Rate in Retail Sales

Source: published company data and Planet Retail

Globalization pays off

Over the longer term, retailers operating in more countries have grown sales nearly two percentage points faster than retailers operating in only one or two countries. Although this did not hold true in 2006, when retailers that stayed closer to home outpaced their more globally minded peers, profitability for the global retailers was considerably higher. Retailers with operations in 10+ countries posted an average net profit margin of 4.7% compared with 3.1% for those operating in only one or two countries.



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 2006 (encompasses fiscal years ended through June 2007).

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. Data for non-US 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.

Group Sales reflect the consolidated net sales of a retailer's 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.

For retailers that are part of a larger conglomerate, Retail Sales reflect only the retail portion of the company's consolidated net sales. 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 2006 sales (and profits) for non-US companies were converted to US dollars. Exchange rates, therefore, have an impact on the results. OANDA.com is the source for the exchange rates. The average daily exchange rate corresponding to each company's fiscal year was used to convert that company's results to US dollars. The 2001-2006 compound annual growth rate (CAGR) for Retail Sales, however, was calculated in the company's local currency.

Market value and Q ratio

This report primarily focuses on ranking the world's largest retailers by revenue. Yet the size of a retailer, useful information that it is, doesn't tell us anything about future prospects. Large size merely demonstrates that a retailer has performed well in the past. The market capitalization of a publicly traded retailer, examined alone, says something about past performance — even if quite recent — but not necessarily about the future.

The question therefore arises as to whether financial information can be used to draw inferences about future performance. To a limited degree this is possible. Past readers of this report will recall that each year's edition provides an analysis of the Q ratio of retail companies in order to understand how financial markets are evaluating the future

Q Ratio Composites

By country

	Q ratio	Assets in US dollars	Market cap
Australia	2.458	27,651	67,969
Canada	1.391	35,695	49,646
China	4.982	3,771	18,786
France	0.995	120,704	120,158
Germany	0.753	66,407	50,029
Japan	0.586	149,308	87,435
Mexico	1.479	13,136	19,434
South Africa	2.029	2,787	5,655
South Korea	1.369	20,556	28,143
UK	1.256	143,160	179,806
USA	1.421	674,573	958,451

By region/category

	Q ratio	Assets in US dollars	Market cap
Emerging	1.740	38,944	67,768
Europe (excluding Russia)	1.290	392,800	506,799
Latin America	1.564	29,106	45,508
Asia less Japan/China	1.539	24,196	37,246

By market cap

	Q ratio	Assets in US dollars	Market cap
Top 50	1.494	980,870	1,465,315
Top 50	0.592	132,081	78,229

prospects of the world's leading retailers. In particular, the Q ratio can suggest whether retailers are strong in such areas as brand, differentiation, innovation, and first mover advantage.

What is the Q ratio?

Developed by the great economist James Tobin, 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 one, it means that the financial markets are valuing a company's non-tangible assets such as brand equity, differentiation, innovation, first mover advantage, market dominance, customer loyalty, execution, and customer experience. The higher the Q ratio, the greater the share of a company's value that stems from such non-tangibles. A Q ratio of less than one, on the other hand, indicates failure to generate value on the basis of non-tangible assets. Indeed it indicates that the financial markets view a retailer's strategy as unable to generate a sufficient return on physical assets. Indeed it may suggest an arbitrage opportunity. That is,

By revenue

	Q ratio	Assets in US dollars	Market cap
Top 50	1.308	1,011,649	1,323,611
Bottom 50	1.298	141,737	183,998

By dominant merchandise range

	Q ratio	Assets in US dollars	Market cap
Diversified	1.062	136,005	144,466
Fast moving consumer goods	1.284	737,245	946,881
Hardgoods	1.406	258,216	363,170
Softgoods	1.576	216,985	341,991

By dominant format

	Q ratio	Assets in US dollars	Market cap
Apparel specialty	2.467	94,651	233,545
Cash & Carry	1.580	21,000	33,172
Convenience	0.661	15,545	10,277
Department	0.876	134,591	117,853
Discount	1.329	43,466	57,745
Diversified	0.768	247,250	189,963
Drug	2.033	64,742	131,597
Electronics	1.317	52,664	69,343
Home improvement	1.061	116,465	123,575
Hypermarket	1.183	286,179	338,484
Supermarket	1.771	147,434	261,092

if a company's Q ratio is less than one, theoretically a company could be purchased through equity markets and the tangible assets could then be sold at a profit.

Why is the Q ratio useful?

One of the biggest challenges facing any retailer today is commoditization. That is, consumers are increasingly viewing retailers as undifferentiated from one another except on the basis of price. This attitude causes intense price competition and tends to drive down margins. Only the lowest cost leaders in any retail segment can compete primarily on the basis of price — all others must do something else. The antidote to commoditization, therefore, is differentiation through better customer experience and innovation. Such differentiation must also be well communicated to consumers through strong branding. Consequently, a high Q ratio indicates that the financial markets believe a retailer is doing the right things to succeed in the current business environment. A Q ratio below one may indicate that the financial markets believe a retailer is failing to use its physical assets in a profitable manner.

One caveat, however. Some retailers are more asset intensive than others. Some lease stores rather than own stores. This fact can distort a Q ratio. Therefore, the Q ratio should be taken with a grain of salt.

What do the numbers say?

The Q ratio was calculated for the publicly traded companies that appear on the list of the world's top 250 retailers. Some public companies were excluded where the market value has been highly influenced by the existence of strong non-retail businesses. The result is an analysis of 146 retail companies based on asset data from the most recent financial statements and on market capitalization (share price times number of shares) as of November 2007.

The average Q ratio for all 146 companies is 1.332. The composite Q ratio (the sum of all company's market capitalizations divided by the sum of all company's assets) is 1.571. The company with the highest Q ratio is Publix Supermarkets, Inc. at 12.637. This US-based supermarket chain has seen its share price increase dramatically in the past two years. The other top companies are H&M Hennes & Mauritz AB, the Sweden-based specialty apparel chain at 11.422, Suning Appliance Co. Ltd at 10.916, a China-based electronics retailer who's share price has increased dramatically, Amazon.com Inc, the US-based online retailer at 8.029, and Inditex S.A. the Spain-based specialty apparel retailer at 6.160.

Among the interesting results of the analysis are the following:

- Size doesn't seem to matter. The composite Q ratio for the top 50 companies ranked by revenue is roughly the same as that of the bottom 50 companies ranked by revenue.
- The composite Q ratio for the top 50 companies ranked by market capitalization is considerably higher than the composite for the bottom 50. In other words, companies that have achieved a high market value are more likely to have high Q ratios than those that have small market values.
- Composite Q ratio differs by country. Companies based in China, Australia, and South Africa have high Q ratios. Companies in Western Europe and Japan have, on average, relatively low Q ratios. Companies based in emerging markets have relatively high Q ratios. This result is similar to findings in previous editions of this report.
- Q ratios were also analyzed based on dominant formats. Not surprisingly, companies focused on the specialty apparel format have the highest Q ratios. This is consistent with past experience and demonstrates the brand-intensive nature of such businesses. High ratios are also found for drug, cash & carry, and supermarket retailers. The latter, at 1.771, is a bit surprising and not similar to past results. It is skewed to some degree by the extraordinary market value of Publix Supermarkets, Inc. Excluding that company, the composite Q ratio for supermarkets is a more modest 1.197. Low Q ratios were found for convenience, department store, and diversified retailers. The latter are companies for which there is no dominant format. As in the past, such retailers do not perform well on this list.
- Companies were also analyzed based on dominant merchandise category. In other words, a company involved in several formats, each focused on food, drug, and mass market products would be categorized as a food, drug, and mass market retailer. The four categories in this report are fast moving consumer goods (FMCG); softgoods; hardgoods; and diversified. Not surprisingly, softgoods retailers have the highest composite Q ratio. Diversified retailers (those with no dominant merchandise category) have the lowest.

Top companies by Q ratio

	Q ratio	Assets in US dollars	Market cap	Country	Retail sales	Format	Sector
Publix Super Markets, Inc.	12.637	7,393	93,427	US	21,655	Supermarket	FDM
H & M Hennes & Mauritz AB	11.422	4,768	54,464	Sweden	9,173	Apparel	Softgoods
Suning Appliance Co. Ltd.	10.916	1,112	12,134	China	3,126	Electronics	Hardgoods
Amazon.com, Inc.	8.029	4,363	35,029	US	10,711	Non-store	Hardgoods
Inditex S.A.	6.160	7,258	44,711	Spain	10,251	Apparel	Softgoods
Koç Holding/Migros Türk TAS	4.788	1,959	9,376	Turkey	2,872	Supermarket	FDM
Whole Foods Market, Inc.	3.306	2,043	6,753	US	5,607	Supermarket	FDM
Avon Products, Inc.	3.294	5,238	17,253	US	8,677	Non-store	FDM
Woolworths Ltd	3.162	11,330	35,824	Australia	32,456	Supermarket	FDM
Next plc	3.125	2,921	9,129	UK	5,726	Apparel	Softgoods
Dairy Farm International Holdings Limited	3.061	2,127	6,509	Hong Kong SAR	4,874	Diversified	FDM
CVS Corp.	2.984	20,570	61,380	US	40,286	Drug	FDM
Shoppers Drug Mart Corp.	2.827	4,348	12,291	Canada	6,868	Drug	FDM
Abercrombie & Fitch Co.	2.739	2,248	6,158	US	3,318	Apparel	Softgoods
GameStop Corp.	2.705	3,350	9,062	US	5,319	Other specialty	Hardgoods
S.A.C.I. Falabella	2.670	5,059	13,504	Chile	4,302	Diversified	Diversified
Dell Inc.	2.614	25,635	67,008	US	11,157	Non-store	Hardgoods
Luxottica Group S.p.A.	2.528	6,174	15,611	Italy	4,138	Other specialty	Softgoods
American Eagle Outfitters	2.506	1,987	4,982	US	2,794	Apparel	Softgoods
Coles Group Ltd.	2.506	6,830	17,117	Australia	25,580	Diversified	FDM
GOME Electrical Appliances Holding Limited	2.501	2,659	6,652	China	3,104	Electronics	Hardgoods
Pick'n Pay Stores Ltd.	2.288	1,131	2,589	S. Africa	5,711	Supermarket	FDM
Walgreen Co.	2.239	17,131	38,356	US	47,409	Drug	FDM
Axfood AB	2.166	825	1,788	Sweden	2,845	Supermarket	FDM
Marks & Spencer Plc	2.160	10,185	21,997	UK	16,255	Department	Diversified
Dick's Sporting Goods, Inc.	2.135	1,524	3,255	US	3,114	Other specialty	Hardgoods
Bed Bath and Beyond, Inc.	2.117	3,959	8,382	US	6,617	Other specialty	Softgoods
Shimamura Co Ltd	2.023	1,744	3,528	Japan	3,349	Apparel	Softgoods
Yamada Denki Co Ltd	2.020	4,712	9,516	Japan	12,358	Electronics	Hardgoods
El Puerto de Liverpool, SA de CV	2.004	3,844	7,706	Mexico	3,189	Department	Softgoods
TJX Companies, Inc.	2.004	6,086	12,196	US	17,405	Apparel	Softgoods
Fast Retailing Co Ltd	1.904	3,284	6,253	Japan	3,882	Apparel	Softgoods
Shinsegae Co Ltd	1.894	7,971	15,097	S. Korea	8,515	Hypermarket	FDM
Fuji Co. Ltd.	1.875	1,523	2,855	Japan	2,768	Hypermarket	FDM
Shoprite Holdings Ltd.	1.852	1,656	3,067	S. Africa	5,429	Supermarket	FDM
Staples, Inc.	1.843	8,397	15,478	US	18,161	Other specialty	Hardgoods
PetSmart, Inc.	1.820	2,053	3,737	US	4,234	Other specialty	FDM
Kohl's Corporation	1.790	9,041	16,185	US	15,544	Department	Softgoods
Nordstrom, Inc.	1.745	4,822	8,413	US	8,561	Department	Softgoods
Dollar Tree Stores, Inc.	1.731	1,873	3,242	US	3,969	Discount	FDM
President Chain Store Corp.	1.714	1,514	2,595	Taiwan	2,961	Convenience	FDM
AutoZone, Inc.	1.705	4,526	7,717	US	5,240	Other specialty	Hardgoods

Global economic outlook 2008

The medium-term direction of the global economy will be set largely by two countries: China and the US. Together, these behemoths account for a sizable share of global economic growth, and especially import growth – thereby stimulating exports and economic growth in the rest of the world. Hence, how they perform matters. Moreover, the financial imbalance between these two countries has already had serious consequences for growth, exchange rates, and interest rate. More may follow. Currently, the global economy is undergoing a transition from one era of economic expansion to another. The transition itself was brought on by the bursting of a bubble in the US housing market. Yet bubbles don't emerge at random. They are usually caused by an economic shock — which in this case was the huge flow of liquidity from China to the US. And, of course, bubbles eventually burst.

Setting the stage

In the past decade, there has been a massive flow of funds from China to the US. Why? One of the main reasons is that China and other Asian nations save a larger share of their output than they invest, while the US invests more than it saves. The result is that Asia, principally China, sends its excess savings to the US. For many years this has been a win-win situation for both countries. Chinese funding of America's external deficit has enabled the US to cheaply import Chinese exports. This, in turn, has kept millions of Chinese workers employed producing exportable goods.

For the US, importing China's savings has enabled the country to enjoy a high level of borrowing without high borrowing costs. This is partly because China's government has directly funded the US external deficit through currency intervention. That is, in order to hold down the value of the Chinese currency and keep exports cheap, the Chinese government has purchased dollars and held them in the form of US Treasury securities. This intervention, along with similar intervention by other countries with large surpluses, has funded a large share of the US external deficit. The result is that China's government has amassed a huge stock of foreign currency reserves — now in excess of \$1.4 trillion. For the US government, being able to fund budget deficits by selling bonds to a foreign government has held down long-term interest rates.

But there is no such thing as a free lunch. The US now has a very large external deficit that may not be sustainable in the long-term. Undoing that imbalance could ultimately be painful. China, in the course of purchasing dollars by printing its own money, has caused a rapid expansion of its money supply with resulting increases in inflation. Indeed the inflation rate has risen from less than zero four years ago to more than 6% today.

Moreover, the massive flow of capital from China to the US has had some unanticipated effects as well. That flow, by contributing to low US interest rates and excess liquidity, caused US investors to seek new outlets in order to achieve higher returns. In the past few years, equity markets were not as attractive as in the past due to the aftermath of scandals, new regulations, and the unwinding of the technology stock bubble. Instead, investors looked to property. In a growing economy with low interest rates, it is reasonable to expect that home prices would rise. And indeed they rose. Yet something more happened. As home prices rose, people started to expect prices to rise still further. They started to pay prices unrelated to the expected return from renting out the homes, and, instead paid amounts based on their expectation that prices would rise further. A speculative bubble took hold. It is a bubble because, like a soap bubble, it cannot last forever.

This particular bubble was no aberration. There have been many property price bubbles in the past, all ending in tears. In this case, the rise in short-term interest rates in the period 2004-06 augured the end of the bubble. The US Federal Reserve, wary of rising inflation expectations, increased rates in order to cool the economy and avert inflation.

For the property market, this turned out to be a problem. In 2005-06, mortgage lenders dramatically increased their origination of sub-prime mortgages — those offered to consumers with low incomes and poor credit histories. Banks sold these mortgages to other institutions that repackaged them into securities that were then sold to investors, who were enticed by the high potential return on such securities. Consumers were often enticed to take on such mortgages with low, teaser rates for the first few months, after which the mortgage would revert to a market interest rate. While rates were low and home prices were rising, this was not a problem. Yet when interest rates rose and home prices stalled, holders of sub-prime mortgages started to default in large numbers.

In the past, when homeowners ran into trouble, the banks that originated their mortgages wound up in trouble. Indeed as recently as 1980 only 10% of US mortgages were securitized compared to 56% in 2006. Today, many of those sub-prime mortgages have been re-packaged, securitized, and sold to the secondary market where they have quickly disappeared — only to reappear in unexpected places when trouble developed. And that is how the credit crunch began.

Credit crunch

In the era before the Great Depression of the 1930s, economic downturns were usually called "panics." Why? The reason is that economic downturns usually resulted from sudden changes in financial market sentiment. People literally panicked when something went wrong such as a failure by a borrower to meet its obligations. The result was that people withdrew money from banks, banks failed to lend, and real economic activity declined.

Starting in the autumn of 2007, the world found itself in the midst of a panic of sorts emanating from problems in the US sub-prime mortgage market. The good news is that, unlike in the past, there are clever and powerful central banks that have the capacity to add liquidity to the financial system. Still, even when they inject liquidity, they cannot erase losses nor can they erase risk. Thus, there can still be consequences from financial failure. Such consequences are being experienced today and will probably persist for a while.

In the past, problems in the credit market were reflected in the solvency of banks. In the last two decades, however, securitization was supposed to reduce the likelihood of problems in financial markets by dispersing risk. But dispersing risk did not reduce it. Instead, a new kind of risk has been created, since no one knows for sure where risky assets reside. This lack of information, or lack of transparency, is creating uncertainty that has contributed to the seizing up of credit markets. Moreover, much of the risk turns out to reside with banks, often through vehicles that are off the balance sheet. The difference now is that we don't know where that risk resides until trouble emerges.

Several aspects of the financial environment contributed to this crisis. First, mortgage originators lacked an incentive to undertake careful due diligence. Second, they had a strong incentive to lend to risky borrowers as investors, seeking high returns, were eager to purchase securities backed by sub-prime mortgages. Third, securitization has taken on new dimensions with the development of exotic derivative financial instruments for which there is not a substantial liquid market. The lack of liquidity meant that, when trouble emerged, these assets could not easily be dumped. Nor could they be easily priced.

What happens next?

As of this writing (November 2007), the high degree of uncertainty about the length and depth of the credit crunch makes it difficult to offer a short-term forecast. Instead, this publication will focus on the medium term outlook. The important question is how global growth will be affected by the turmoil in financial markets.

First, since the turmoil began, there has been a substantial re-pricing of risk. This is probably a good thing as markets had likely become sanguine about risk. Still, you can have too much of a good thing, and that is the case now. Spreads on asset backed securities have widened and the markets for commercial paper, high yield bonds, and inter-bank lending have been dramatically squeezed. Major banks have written off sizable losses thereby adding to a constriction of credit. While the asset market that started this crisis was located in the US, the impact has been trans-Atlantic. This is in part because the assets in question were sold into a global market, mostly into Europe, where losses experienced by banks have adversely affected credit conditions in the region.

At the very least, the crisis will probably have a negative impact on US and, to a lesser extent, European growth during 2008. While numerous scenarios can be suggested, the most likely is for either a moderate slowdown or mild recession in the US, moderate slowdown in Europe, and not much impact in Asia. Some countries that depend heavily on exports to the US, particularly those in Latin America, will suffer accordingly.

What are some alternative scenarios?

The possibility exists that the crisis could become larger or more prolonged due to economic contagion. That is, asset markets unrelated to the market for mortgage backed securities could suffer a loss of liquidity as credit markets seize up and as investors shun risk and seek safety. There is a long history of such contagion — although not all contagions have led to economic slowdowns. Contagion is not necessarily a result of rational assessment of risk, but it happens nonetheless and can have serious consequences.

Another possibility is that the crisis will be prolonged by a failure to restore transparency, liquidity, and credibility to financial markets. This happened in Japan following the bursting of its financial bubble in 1990. The Japanese central bank failed to provide adequate liquidity and the Japanese government failed to adequately assist banks in cleaning up their balance sheets. The result was an unusually long period of stagnant growth and deflation. This scenario seems unlikely given the quick early responses by various central banks to the current crisis.

The possibility remains that the current turmoil will have only minimal impact on the global economy. There is historical precedence for this. Recall the US equity market crash in 1987. The US Federal Reserve immediately pumped liquidity into the system and the economy probably grew faster than would otherwise have been the case. Now, following the credit crunch that began in August 2007, the Fed has reversed course by increasing liquidity and lowering interest rates — something that might not otherwise have happened so soon. The end result could actually be no change in growth with only the financial sector taking a hit.

Dollar movement

Meanwhile, as of this writing, the value of the US dollar continues to fall. From 2002 until late 2007, the dollar fell 38% against the euro, 30% against the British pound, and 39% against the Canadian dollar. However on a trade-weighted basis, the dollar fell only 24% during this period. Why the difference? The answer is that many emerging countries with which the US trades have intervened in currency markets to keep their currencies from appreciating. Most notable, of course, is China. Yet China has been gradually revaluing its currency for the past two years and may accelerate that process.

It was to be expected that, with a large US current account deficit, the dollar would fall. When financial market participants believed that, at a given exchange rate, the deficit was unsustainable, they removed support for the dollar. As the dollar falls, it causes import prices to rise and export prices to decline, thereby leading to an improvement in the current account deficit. This process should continue until financial market participants are convinced that the dollar is low enough to bring the deficit to a sustainable level.

So far, the decline in the value of the dollar appears to have had a positive impact. Real imports have declined and real export growth has accelerated. Moreover, the current account deficit has begun to improve. Yet the dollar will probably fall further. A decline in the value of the dollar acts with a lag. Financial market participants, however, tend to push the dollar down until they are convinced that the dollar level is sustainable — and they probably don't think it is at this point in time.

Other factors are pressing down on the dollar, such as US interest rates, which are lower than in Europe. The fact that many central banks are known to be rebalancing their foreign currency portfolios away from dollars is also having a negative effect on the dollar.

The biggest concern about a falling dollar is that it could be inflationary in the US if it causes a sizable increase in import prices. This hasn't happened yet, but could as the dollar falls further. Until now, many importers have absorbed the exchange rate movement by allowing for lower profit margins. Yet this cannot go on forever, and ultimately import prices will have to rise. When that happens, it could inhibit the flexibility of the Federal Reserve to lower interest rates — an important consideration given the continuing problems in credit markets.

On the other hand, a declining dollar means a rising euro, pound, and yen. For Europe, Britain, and Japan, this means deflationary pressure and, therefore, more flexibility for these countries' central banks to lower interest rates without sparking inflation.

Finally, a rapid decline in the value of the dollar remains a possibility. Financial markets have been known to become volatile when investors panic. Given the uncertainty in credit markets, currency market volatility could become a problem. A rapid drop in the dollar could destabilize financial markets and might require currency intervention by major central banks in order to restore stability.

The price of oil

Why has the price of oil jumped five-fold in the past five years? And why has the global economy done so well despite this rise? The answers to both questions are related. The price of oil rose, in large part, due to the strength of the global economy and its impact on the demand for oil. In fact, the global

economy in this decade has grown faster than at any other time in recorded history. A significant portion of this growth was attributable to the rise of China and India. Notably, both countries subsidize the cost of energy, thereby encouraging highly inefficient use of energy. Thus, it should be no surprise that so much of the world's increased demand for oil came from these two countries. This is quite different from oil price spikes of the past, many of which were due to a drop in supply rather than an increase in demand.

The price of oil has also risen because the capacity to produce oil has not kept pace with rising demand. Why not? After all, a rising price should encourage producers to explore for more oil and develop new productive capacity. Yet it takes time for new investments to bear fruit. Moreover, when the price of oil started to rise earlier this decade, many producers were not convinced that the increased price would be sustained. Consequently, they were reluctant to take on new investments that might not be profitable should the price reverse. Finally, much potential new capacity exists in countries where governments, rather than private investors, decide whether to undertake new investments. In many countries, the high price has enabled governments to accumulate cash, pay off debts, and flex their political muscle. New investments, which would have siphoned off much of that cash, were not considered a high priority — especially when the payoff was likely to be so far in the future. The result has been very slow development of new capacity.

There are other factors influencing the price of oil. Political risk surely plays a role. An increased threat of war in an oil producing country always leads to a higher price. Political or social turmoil in an oil producing country often reduces both investment and current output — consider Iraq or Nigeria. Finally, the declining value of the US dollar tends to have a positive impact on the dollar price of oil.

Where do we go from here? There is no easy answer to this question. The good news is that the world has collectively managed to absorb a huge price increase without much economic cost. That is partly because of the massive investment in improved energy efficiency following the oil shocks of the 1970s. Today, the world can better absorb higher energy prices than in the past. Still, there are limits. It is probably safe to say that further substantial increases beyond the current price (\$97 as of early November 2007) could be onerous, both for economic growth and inflation.

The price of oil in the future will be the result of several factors. First, consider demand. If the US economy slows down in 2008, the price of oil would probably fall. Second, exchange rates matter. If the US dollar continues to fall in value (which is likely), there will be pressure on the price of oil. Finally, much will depend on the political situation in several oil rich countries or their neighbors.

One school of thought holds that the rapid growth of China and India puts us in an era similar to that of the immediate post-war era in the 1940s and 1950s. At that time, the rapid growth of the global economy spurred very rapid growth in the demand for energy — far higher, in fact, than what has been experienced since the late 1960s. At that time, however, oil supplies were in abundance and demand was met without high prices. It would be expected, however, that higher prices would constrain demand. Indeed, this may happen — especially in developed countries. Yet the strong economic growth in emerging countries will probably overwhelm the effect of rising prices on demand. Given today's supply constraints we may be entering an era of relatively high oil prices.

Is inflation coming back?

One of the sterling economic accomplishments of the past generation was the end of serious inflation in most major countries. Yet in 2006-07, inflation began to rear its ugly head in many major countries. Inflation accelerated in the US, the European Union, China, and India. Are we in danger of a new era of inflation? And, if so, what would this do to economic growth?

To address these questions, it's important to first consider four major reasons why inflation went away:

- 1. Monetary policy got better.** Independent central banks in both developed and emerging nations consistently kept money supply growth under control so that inflationary expectations were reduced. This is critical. After all, if expectations for inflation are low, workers and businesses will be less aggressive in seeking higher wages and prices respectively.
- 2. Globalization has had a salutary effect on inflation.** The massive increase in the global labor force and in global productive capacity put downward pressure on prices.
- 3. Money supply growth influenced asset prices rather than goods prices.** Goods inflation takes place when too much money is chasing too few goods. In this case, that money chased assets such as equities and property.
- 4. The accelerated improvements in information technology in the past two decades contributed to rapid productivity growth.** This enabled stronger economic growth without creating inflationary pressures.

So why is inflation now on the rebound? There are several reasons:

First, the global economy has been growing at an exceptional pace, thereby putting upward pressure on commodity prices — including oil. Food prices, in particular, have risen

considerably on a global basis. This reflects growing demand, declining use of agricultural land, and government subsidies for biofuels.

Second, many countries have experienced dramatic rapid growth of the money supply. In China, for example, rapid money supply growth stemmed from central bank currency intervention aimed at suppressing the value of the Chinese currency. As discussed above, much of that money supply growth fueled asset prices. Yet it appears that it is finally having an impact on goods prices as labor and product markets have become tight.

Finally, the declining value of the dollar is likely to be inflationary in the US as well as in those countries that tie the value of their currencies to the US dollar. This includes many emerging nations.

What happens next? As Alan Greenspan suggested in his recent memoirs, central banks may soon face a more challenging environment in which to control inflation. The favorable impact of globalization on inflation has been a temporary phenomenon that will eventually end. The entry of China and India into the global economy, by adding huge numbers of low wage workers to the global pool of labor, put downward pressure on wages and prices. Yet the process of integrating these giant countries into the global economy will not last forever. Once largely completed, that particular restraint on global inflation will likely be removed and central banks may face a somewhat worse environment.

Summary outlook for the global economy

Global economic growth in 2008 is likely to be slow, largely as a result of a credit-crunch-inspired slowdown in the US. A deceleration in consumer spending in the US will be the principal reason. Growth in Europe is likely to slow modestly due to a decline in export growth, itself the result of a strong euro, as well as from the effects of the credit crunch. Japan will slow modestly as well, although its longer term prospects appear to be better now than anytime in the past decade. The main engine of global growth will continue to be China and, to a lesser extent, India and the major oil producing countries (Russia, Persian Gulf). China will likely accelerate the process of revaluing its currency, thereby increasing consumer purchasing power. Consumer spending growth in China and India should continue to be strong.

10 trends in global retailing

1. Social responsibility

Relatively affluent consumers in affluent countries are increasingly concerned about the impact that companies have on society. This includes the impact on the physical environment, on workers in countries that supply products, and the impact that products have on the consumers who purchase them. This focus on social responsibility and product safety is likely to grow, especially as more consumers become aware of these issues through mass media. As a result, some consumers appear to be willing to pay a price premium for products or services where there is a discernible focus on social responsibility. In such cases, retailers can actually increase their profit margins by engaging in such a focus — while at the same time performing a service. Moreover, many governments, instead of simply threatening to tax companies for environmental infringements, are providing tax incentives for companies to go green.

In addition, some retailers and their suppliers are eager to get ahead of the competition on this issue in order to be well positioned should the regulatory environment become more onerous. For example, if governments ultimately impose a tax on carbon emissions, those companies that have already invested in reducing such emissions should have a competitive advantage.

As globalization and reduced trade barriers lead to greater international trade in perishables, food retailers are becoming increasingly concerned about the safety of their supply chains. The ability to properly monitor supply chains and react quickly to problems will also be a competitive advantage for retailers. Having a reputation for doing this will likely enhance the brand equity of retailers.

2. Global consumer growth shifts away from the US

During the past decade, the extraordinary growth of consumer spending in the US was a driving force for the global economy and for the global retailing industry in particular. This growth was driven, in part, by the strength of the US housing market. The downside of this growth was that it entailed Americans living beyond their means and taking on external debt to finance their largesse. Now the party has come to an end. The collapse of the housing bubble and the rapid decline in the value of the dollar imply that, in the near future, more US economic growth will come from exports rather than consumer spending. And, although the latter will grow, it will probably grow more slowly than the overall economy.

Quite the opposite will be true in the rest of the world — particularly in Asia. In China, for example, economic growth has been fueled by exports. Yet as the value of the Chinese currency appreciates over the next few years, export growth

will give way to domestic demand as the primary source of economic growth. Lower-priced imports, combined with rising incomes, will fuel consumer spending. The same will be true to a lesser extent in Japan.

The bottom line is that the geographic mix of consumer spending growth will shift away from the US and toward Asia. For the world's largest retailers, this means increased growth opportunities in Asia. It also means that the US market will be a bit more challenging. There, the personal savings rate is near zero and is likely to rise, thereby slowing the growth of spending. In addition, the retail market is already highly saturated. Retailers in the US market will thus increasingly face a market share battle, which should compel more of them to seek opportunities abroad, particularly in Asia. They will, however, face competition from Europeans retailers who have been aggressively investing in Asia for quite some time.

3. Commoditization run amok

We live in an age of great technological innovation. This has enabled ordinary people to enjoy standards of living unimaginable even to royalty a century ago. Improvements in manufacturing efficiency enable the highest quality products to be sold at amazingly low prices. The end result? Consumers are jaded; they have come to expect this. To demonstrate differentiation from competitors, it is no longer sufficient for retailers to simply do everything right. There must be something else. Consequently, we have arrived at the age of commoditization.

Commoditization takes place when consumers view products as essentially undifferentiated other than on the basis of price. Traditionally, basic products were considered commodities — petrol, cooking oil, basic apparel. Yet today, consumers see electronics, fashion, and processed foods as commodities. The result is that retailers and their suppliers increasingly compete on price to the exclusion of all else. This drives down prices and margins and creates an onerous business environment. Avoiding commoditization, therefore, is becoming one of the signal challenges of our time for global retailers. Those that differentiate on the basis of something other than price will be the winners of the future. This will mean differentiated retail formats, customer experience, and product mix. It may also mean focusing less on the mass market and more on niche oriented markets.

4. The rise of “long tail” retailing

Some of the most successful stories in retailing in recent years have come not so much from industry giants that target the mass market but from smaller chains with a narrower focus. There is a good reason for this. The mass market has become saturated while the population of developed countries has become more fragmented in terms of incomes and shopping behavior. Within the mass market, retailers and their suppliers have become highly focused on price competition, thereby driving down margins and failing to provide consumers with clearly differentiated offerings. The solution to this is for

retailers to avoid the mass market altogether. Instead, focusing on niche opportunities along the so-called long tail can be quite lucrative.

But what is the long tail? Consider how consumer income in any country is distributed. It resembles a bell-shaped curve in what statisticians call a normal distribution. The middle of this bell is the mass market where the greatest share of income exists and where most retailers compete. The ends of the tail are smaller, represented a smaller share of income. Yet these ends have often been ignored by retailers intent on reaping the economies of scale associated with the mass market in the middle. This is starting to change. As a result of improvements in information technology, it is now possible to operate a portfolio of small, targeted businesses just as efficiently as one large business. Hence, retailers seeking growth can invest in new businesses along the long tail rather than expanding existing mass market formats.

Consider a food retailer operating supermarkets aimed at a mass market. Rather than roll out more supermarkets to an already over-saturated and highly competitive market, this retailer might develop a group of new formats aimed at various consumer niches. These could include affluent consumers interested in organics or non-GMO foods, low income consumers focused on inexpensive prepared meals, or time rich consumers seeking the ambience and excitement of a street market type shopping experience. In the near future, such niche investments are likely to lead to more fragmentation of consumer experiences in retailing.

5. The fight to plant the flag in India

India has become the next big thing for the world's leading retailers. On the surface, this seems to represent the triumph of hope over experience. After all, India remains relatively closed to foreign retail investment, its business environment is riddled with obstacles (poor infrastructure, corruption, heavy-handed regulations), and its rapid economic growth is so new that it is not clear whether it can be sustained. Despite all of this, retailers have been smitten.

India is, after all, a country with more than a billion people whose leaders are dragging it kicking and screaming toward a true market economy. In the process, they have succeeded in generating rapid growth, especially in consumer spending, and in stimulating a degree of optimism not seen in India since independence. Moreover, the leaders of India's huge business conglomerates have turned their attention to retailing. Companies in such disparate realms as energy, telecoms, and manufacturing are recycling their excess cash flow into creating a modern retailing infrastructure.

For the world's leading retailers, India is a gamble, but one worth taking. Wal-Mart is the first large retailer to take the plunge, but many others are expected to follow. Few of them, in all likelihood, expect instant success. Instead, investing in India is viewed as a long-term proposition, one that can enable a foot in the door and the advantage of first-mover status. Expect to

see more news emanating from this country, especially as global retailers and Indian conglomerates seek out one another for joint ventures in order to build on diverse talents.

6. Retail investment in services

As countries grow and achieve economic affluence, consumer spending on goods as a share of GDP tends to decline while spending on services grows disproportionately. This has certainly been the case in developed nations such as the EU, Japan, and the US. In part this is due to the higher rate of inflation in services. That, in turn, is due to the lower productivity growth in service industries. The relative decline in the prices of goods leaves consumers with comparatively more cash to spend on services.

In saturated, mature retail markets with relatively slow growth, the fact that consumer spending on services is rising represents both a challenge and an opportunity. Retailers that can successfully sell services related to their core merchandise or simply based on the strength of their brand names, can increase their growth through expanded share of wallet. Some retailers are already doing this with considerable success. Consider Best Buy, the US-based electronics retailer. It has developed a service business called Geek Squad that offers after-market servicing for complicated home electronics products that are often confusing to untrained consumers. Tesco, the UK food retailer, offers a wide range of financial and online services. Wal-Mart, the world's largest retailer, is rapidly increasing its involvement in health services.

Other opportunities will emerge. In part, demographics will play a role in driving this trend. As people move from young adulthood to middle age, they tend to spend less on goods and more on services, particularly those related to finance and health. Successful retailers will take advantage of this by using their existing brand equity to build new markets.

7. Emerging market investment in developed retailers

One of the notable aspects of the global economy lately has been the huge surpluses of key emerging countries. China, for example, has accumulated \$1.4 trillion of foreign currency reserves. Russia and Middle Eastern oil exporters have, likewise, accumulated vast reserves. In the past, such funds were normally invested in low-yielding government securities. Increasingly, however, countries are diverting some of these reserves into investment funds that purchase Western companies or sizable interests in those companies. These "sovereign wealth funds," or SWFs, are becoming key players in global capital markets. They offer emerging country governments the opportunity to invest in rich country businesses. The global retailing industry has already been targeted by these funds and more are likely to follow. Not only may such funds seek to acquire retail companies, but in some cases they may invest in the development of startup retailers as well.

Beyond the role of emerging country governments, some emerging country retailers could soon achieve the size and sophistication that will enable them to compete in rich countries. This could happen either through organic expansion or through acquisitions. A small number of such investments have already taken place, and the pace is likely to accelerate in the next few years.

8. Multi-channel integration

The rise of online retailing has taken market share from store retailers in some markets. Yet in the US, 40% of online retail sales are conducted by store retailers themselves. The opportunity exists to create a seamless multi-channel experience for consumers. The reality, however, is that many store retailers are failing to do this and that most do not integrate their online businesses with their store businesses. In addition, store retailers are competing with non-store retailers who own a sizable share of online retailing.

To win this battle, the best retailers will most likely focus on enriching the brand experience for distinct customer segments across multiple channels. They will use websites not just to sell, but to build brand identity, engage consumers in dialog, and obtain feedback from consumers. Similar to what many retailers already do, they will use websites to inform consumers about store events. The information exchange that takes place online will play a role in the development of stores. Consumers visiting either the store or the website will experience a seamless brand, customer experience, and transaction capability.

Although few are doing this now, future success will require such integration, especially for non-food specialty retailers. Currently, many consumers are disappointed to learn that there is a clear dividing line between store and online operations. Breaching this line will most likely be the principal online challenge for successful retailers in the coming years.

9. Focus on customer experience

As discussed above, one of the leading problems faced by many retailers is a lack of differentiation among competitors that leads consumers to view stores as commodities. One way to tackle this problem is to focus on improving the experience of consumers in the store. This encompasses far more than customer service — important though that is — and includes all the elements influencing consumers such as store layout, signage, lighting, service, and the ease and speed of transactions. It is very important, however, that consumers find what they seek. Having the right inventory at the right time is critical.

In the coming years, the world's best retailers will increasingly focus on offering consumers an experience that is enjoyable, informative, entertaining, and easy. Today, some notable retailers are already undertaking customer experience initiatives that enable them to differentiate and maintain pricing power. Some supermarket chains have focused on creating a festive, street market environment that makes food shopping an entertaining event. Book and music retailers focus on the

ability to spend time perusing books or listening to music in a comfortable setting. Some department stores are working to eliminate the tedium of separate transactions in separate departments. Instead, while still focusing on traditional department store merchandise, they are borrowing from the customer-friendly appeal of discount stores by offering centralized checkout, shopping carts, and wide aisles with large signs.

10. Retailers as world-class marketers

In the past, manufacturers of fast moving consumer goods (FMCG) were considered the leading marketers in the world. They had their fingers on the pulse of consumers, spent considerable sums on market research, and were masters of using mass media to build brand identity. As retailers became bigger and more powerful, suppliers had to focus more on relationships with their customers than their consumers. Trade spending became more important than mass media advertising. Retailers became the principal holders of relationships with consumers. Moreover, through their sale of private label goods, they became leading suppliers in their own right. Yet most retailers still lacked world class marketing skills. That is now changing.

Today, some of the world's top retailers are aggressively hiring top marketers away from FMCG companies. Their goal is to become marketing powerhouses, to build strong brand identity in order to compete with other retailers and, increasingly, to compete with branded suppliers through private label sales. Indeed private labels are no longer simply a way to offer low prices. They are an important channel for building brand and improving profit margins. Consequently, tomorrow's leading retailers are likely to be world-class marketers.

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