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2005 Global Powers of Retailing

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The Global Retail Industry Fires Up Its Engines

Deloitte Touche Tohmatsu and its member firms, the knowledge leaders in global retailing, are pleased to present the eighth annual Global Powers of Retailing, in conjunction with STORES Magazine. This year's report has been expanded to include the 250 largest retailers around the world. Also new this year is an analysis of retail stock performance and a discussion of the major issues facing retailers today.

2005
Global Powers
of Retailing

The last two years have been rewarding for many retailers as a result of improved fundamentals. The global economy has emerged from its doldrums, which has put more money in consumers' pockets. Profitability and cash positions have risen. Investments in technology are beginning to pay off. Various international markets are showing increasing signs of promise. Competition remains intense in the industry, but the successful industry players have developed the focused strategies that are allowing them to flourish.

Technology, for one, continues to be the great enabler in helping retailers achieve profitable growth. The industry remains one of the major purchasers of technology, and the benefits are paying off for many companies. Supply chain execution has become critical to improved business performance. Optimized merchandise assortments are providing great rewards. Customer-management systems are being enhanced by detailed segmentation and profiling.

The economy's upbeat performance, coupled with the benefits being derived from technology, helped lift retailer profitability. In 2003, only 6 percent of retailers reported a net loss; this percentage was less than half of what it was in 2001. Among retailers that were profitable, the average net income represented 3.3 percent of group sales.

Additionally, our analysis of retail stock performance showed that a number of companies are currently valued favorably by the equity markets. Some of the strong valuations are likely due in part to various success factors, such as strong branding efforts or enjoying a unique position in the marketplace.

As the retail environment has turned more positive, retailers' cash positions have improved, resulting in increased merger and acquisition activity. Some recent examples: Canada's Alimentation Couche-Tard purchased the Circle K convenience stores in the US. In 2003, private equity groups purchased Debenhams in the UK. CVS and

Jean Coutu purchased Eckerd from JCPenney. The Sports Authority and Gart Sports merged in 2003, and more recently, May Department Store Co. purchased Target's Marshall Field's, upscale apparel retailer Barney's was purchased by Jones Apparel and Albertsons bought Shaw's and Star Markets. Perhaps most striking was the late-2004 announcement of the Kmart-Sears mega-deal. The combined company will have annual revenue of approximately $55 billion and operate more than 3,400 stores.

Food retailing recently has been buffeted by several newsworthy events. In early 2003, reports of bird flu outbreaks and mad cow disease influenced sales of various meat and fresh produce sectors throughout Europe, North America and Asia. A more lasting impact, however, has come from the media spotlight on the growing number of individuals around the world who are overweight. Obesity was recently voted the top food news story of the year by American newspaper and magazine food editors. In 2003, Ireland became the first nation to set limits on prime-time junk food commercials on TV. Retailers are responding to these developments in numerous ways. The growth in organic and natural foods remains strong in Europe and the US, with many food retailers continuing to successfully introduce private labels in these areas. Apparel retailers are increasing their selections of plus-size clothing to accommodate the expanding girth of consumers.

Other demographic trends that have taken on added relevance include the aging and growing diversity of Western populations. In Japan, for example, "silver spenders" have become an important target because of their high levels of savings, and hence, spending power. In the US, retailing concepts that cater to older women are growing. The Gap in the US recently announced a new concept for Baby Boomer women. Additionally, multicultural marketing has taken off as populations become more diverse.

The prevalence of today's 24/7 culture is creating both challenges and opportunities for retailers. Time-starved consumers today often seek the convenience of one-stop shopping, although the trend is creating channel blurring. The Internet continues to grow in importance as retailers improve on their ability to provide an efficient, fully-merchandised e-tail experience. Multi-channel retailing is proving to be very popular with consumers. A research report noted that 2004 holiday shopping on the Internet was expected to be greater in Europe than in the US. Privacy and unscrupulous vendors, however, continue to be issues that need favorable resolution. The Federal Trade Commission in the US recently noted that the chances of getting "dot-conned" are greater now than ever before.

China is expected to enhance its standing as the supplier of choice and as a retail destination for merchants. Currently, more than 10 percent of the 250 largest retailers sell in China. Several regulatory changes — the relaxation of rules on foreign retail ownership in China and the ending of apparel and textile quotas on Jan. 1, 2005 — will contribute to China's improved standing in the world economic order.

Risk management has come to the forefront in many retailers' operations. The Sarbanes-Oxley Act of 2004 and Europe's International Financial Reporting Standards are influencing such accounting topics as revenue recognition and vendor rebates and allowances. Many retailers are promoting social, environmental and ethical responsibility to enhance public perceptions.

In summary, the global retail industry's improved financial position is allowing numerous companies to solidify their standings in the rankings. No one, however, is standing still. The steady flow of recent announcements on exciting new technology deployments, merger activity and expanded global positioning suggest that the industry is just beginning to fire up and that even more exciting times lie ahead.

Our best wishes to all retailers for a prosperous 2005.

Sincerely,

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Global 250 Highlights

This year we have expanded our coverage of large retailers. The table presents the 250 largest retailers around the globe. An additional 50 retailers were added, in part, because there are a large number of companies that have sales in the low- to mid-$2 billion range who in previous years were not being highlighted. Several of these companies are rising stars, others simply are solid performers whose status should be acknowledged.

The retailers in the current list generally performed well in 2003. The global economic upswing gained momentum in 2003, which provided an important lift to retailers around the world. Importantly, many regions — North America, Asia, Latin America, Africa — exhibited growth in consumer demand for the year. This synchronous upturn underpinned the 3.9 percent gain in inflation-adjusted global GDP in 2003. It was the global economy's strongest rate of increase since 2000. Only Western Europe did not experience an acceleration in growth during the year.

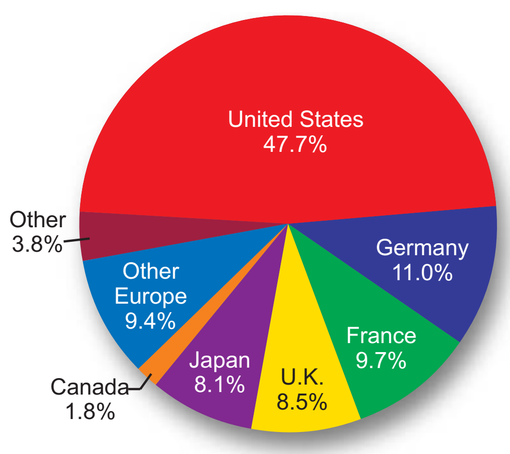
2003 Results

Retail sales for these 250 companies totaled $2.6 trillion. With global retail sales of roughly $8 trillion, these 250 retailers are capturing about a third of the marketplace.

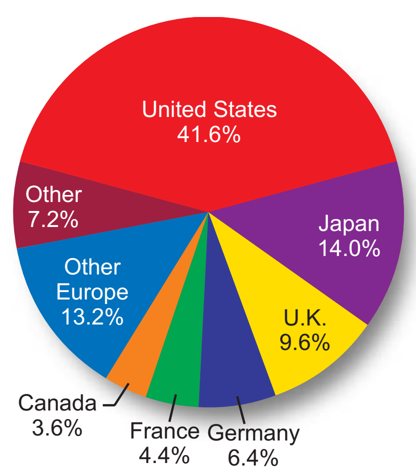
Retail sales varied across a wide range — from a high of $256 billion for Wal-Mart to CBRL Group's $2.2 billion. (CBRL Group is known mostly for its Cracker Barrel Old Country Store Restaurants.) However, at the bottom of the list, the race was much tighter. There were 58 retailers whose sales were within a very narrow band of $3 billion to $2.2 billion. There also were nearly a dozen more retailers with sales of slightly more than $2 billion who just missed making the list.

The improved global economy, coupled with increased productivity from technology investments, has helped retail profitability. For those companies who report their

TOP 250 RETAILERS, BY SALES



TOP 250 RETAILERS, BY COUNTRY OF ORIGIN



results, only 15 retailers, or 6 percent, recorded a net loss in 2003. In last year's report, 7 percent of the retailers had losses, and in the prior year, 13.5 percent were unprofitable. For those who were profitable in 2003, the average net income figure represented 3.3 percent of group sales.

The largest retailers have, for the most part, retained their leadership roles. Among the top 10 retailers, there were only small movements in the rankings. The top three companies — Wal-Mart, Carrefour and Home Depot — remained the same. Tesco and Aldi Einkauf moved up two slots, while Sears dropped from 10th to 13th largest global retailer. Sales from these 10 retailers reached $740 billion, representing 28.4 percent of the total from these 250 companies.

There are two new Chinese retailers that have joined the ranks of top retailers. Shanghai Friendship, ranked 164 on the list, is the parent company of China's largest supermarket operator, Lianhau Supermarket. Beijing Gome Home Appliance is the 230th largest retailer on the list. As the Chinese government continues to support efforts of consolidation among its retailers, the number of large retail conglomerates will continue to grow. China's securities regulator in October 2004 approved a plan for Bailian Group to acquire major stakes in five other retailers, including Shanghai Friendship.

The Chinese government is facilitating consolidation, in part, to allow its retailers to better compete against the growing presence of foreign retailers. At the end of 2004, China began allowing foreign retailers to set up wholly owned units, with no restrictions on the number of outlets or locations.

Composition of List

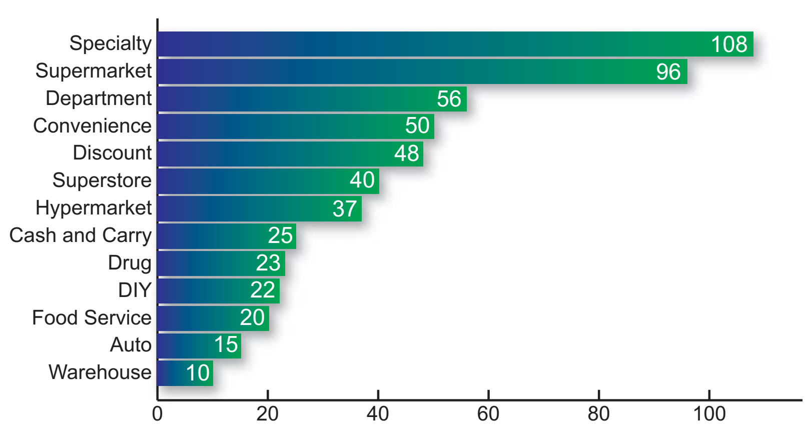
The addition of 50 retailers to the list produced only slight changes between this year and last for the country-of-origin and revenue shares. Retailers from the US continue to dominate the group, both in terms of number of companies and total retail sales volume. US retailers represented 41.6 percent of all retailers in the latest list; in last year's list they made up 42.5 percent of the total.

Another ongoing trend is that food retailing continues to be the dominant format among these large global retailers. Nine of the 10 largest retailers sell food, and 118 of the 250 operated food-related formats such as supermarkets, cash-and-carry or convenience stores.

Specialty stores, however, continue to be the most popular format among retailers. The 108 retailers who operate specialty-type formats represent 43 percent of the total.

The discount group has also been growing rapidly in recent years. This segment includes the popular dollar, or 100 yen, store concept that has grown dramatically in the US and Japan. As noted in last year's report, consumers today are on a constant search for price, and are actively seeking out new formats in order to get a better price. This trend

SECTOR COMPOSITION OF THE TOP 250 RETAILERS



toward extreme value retailing is likely to continue into the foreseeable future.

Globalization Trends

Globalization gained further ground in 2003. Currently, these 250 retailers sell in 135 different countries. The average retailer sells in 5.5 countries. This average does not include the six retailers who are truly "global" in scope, operating in nearly all major countries around the world. In comparison, the 1997 results showed that retailers back then operated in only 4.5 countries, on average.

The lure of the large and expanding Chinese market is already drawing many retailers to that country. In this latest list there were 31 non-Chinese retailers selling in China.

International sales have become important to many retailers' growth strategies. Published reports noted that Tesco showed a 30 percent growth rate outside of Britain compared to 7 percent at home. Almost 49 percent of its square footage is overseas. Wal-Mart's international division saw a 17 percent increase in sales for 2003; the division now represents 18 percent of Wal-Mart's total sales.

Despite the trend toward increased globalization, not all retailers find that path necessary for growth. US retailers, in particular, are able to show sizeable rates of growth without expanding beyond the large US borders. In this current list there are 56 US retailers who operate only in their domestic market. They represent 44 percent of all US retailers on the list. Additionally, there are 51 non-US retailers who have not ventured beyond their home borders.

The smaller retailers are the least international in scope. The bottom 25 retailers operate in only 1.6 countries on average. In sharp contrast, the 25 largest retailers operate, on average, in 9.1 countries.

5-Year Growth Trends

This year we show compound annual growth rates in sales between 1998 and 2003, with growth calculated from local currency figures. The ranking of the 50 fastest growing retailers over this five-year period shows that there is no one method that guarantees strong double-digit growth. Several of the retailers have developed merchandise concepts that have become a hit with consumers. As a result, many of these retailers are expanding through new store openings. Others have grown largely through acquisition. Additionally, the multi-year housing boom in numerous developed countries has benefited various DIY and home electronics retailers. Of particular note, six of the 30 fastest-growing retailers are US motor vehicle dealerships. These retailers have only recently begun to aggressively acquire smaller regional dealerships, thereby developing into national players. Their "retail" sales are estimated because service-related revenues have been estimated and subtracted from their totals. Sales of motor vehicle parts are included.

The fastest-growing retailer over the last five years was Canada's Alimentation Couche-Tard. The company is now the fourth-largest convenience store operator in North America as a result of its 2003 acquisition of the Circle K chain of convenience stores from ConocoPhillips. The acquisition was the largest in the company's history.

Second-fastest growing was FOCUS Wickes from the UK. The private company operates in the increasingly popular DIY segment and has made several major acquisitions since 1998. Wesfarmers' Bunning Warehouse chain, another DIY/hardware concept, had the fourth-fastest growth rate mostly as a result of a major 2001 acquisition that basically doubled its retail size.

Very few of these 50 rapid growers are centered in food-related formats, which traditionally are slow-growth concepts. Mercadona, however, is a major exception to the rule. It is the fastest-growing food-related company among these 250 retailers. The company, Spain's largest supermarket chain, has grown its sales more than 25 percent per year over the last half-decade, in part, by developing its own version of the everyday-low-price concept. The rapidly growing chain added 89 new stores in 2003 and now operates more than 800 supermarkets. Today, it is the 82nd-largest global retailer, while still only operating in its home country. Just three short years ago it was ranked 178th-largest.

Of particular note, the majority of these growth giants have achieved their success through concentrating on just one or two formats. For example, 16 of the 20 fastest-growing retailers operate in just one format. In addition, 35 of these 50 companies operate in three or fewer countries. And 29 are relatively small, being ranked in the bottom half of the 250 list. Thus, many are small and focused. They are concentrating on being the best in their category — and they're succeeding.

While the table shown here lists only the 50 fastest-growing retailers, there were, in fact, a total of 102 retailers that experienced double-digit growth between 1998 and 2003. At the other extreme, however, 47 retailers saw their sales shrink over the last five years. This period consisted of several economic challenges for various regions of the globe — especially in the US, Japan and Latin America — so perhaps it should not be surprising that nearly one-fifth of these large companies have been struggling. Average annual growth for all 250 retailers was 9.0 percent per year over the five-year period.

When comparing results across all retailers, it appears that those who concentrate in one specialty sector have gained an advantage over multi-format retailers. Specialty-only retailers had average growth of 10.6 percent per year over the last five years, a rate that was superior to the 9 percent annual average for all retailers.

In contrast, retailers who are conglomerates, operating in five or more formats, had average growth of only 7.1 percent per year through 2003, which was below the average for all companies. Most of these retailers were heavily focused on food retailing. Eight of the 44 conglomerates had negative growth over the five-year period. More than half, 26, of these conglomerates were based in Europe and four were headquartered in North America.

As has been our practice, the 1998 figures used to derive the growth rates were taken, where possible, from that earlier Global Powers report. For retailers who were not on that list, their annual report was used. Also, compound growth rates are not shown for several retailers because 1998 data is unavailable.

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50 Fastest Growing Retailers, 1998-2003

Growth Rank	Sales Rank	Country of Origin	Name of Company	Formats	2003 Retail Sales (US$ mil)	5 yr Retail Sales CAGR % *(Local Currency)*
1	131	Canada	Couche-Tard	Convenience, Food Service	4,377	55.4%
2	214	UK	FOCUS Wickes	DIY	2,682e	54.2%
3	116	US	Amazon.com	E-commerce	5,264	53.9%
4	211	Australia	Wesfarmers/Bunnings	DIY	2,741e	40.6%
5	142	US	Asbury Automotive	Auto	4,000e	33.9%
6	94	Hong Kong SAR	Hutchison Whampoa/ AS Watson	Drug, Specialty, Supermarket	6,631e	31.9%
7	73	Japan	Yamada Denki	Specialty	8,330	31.1%
8	222	Japan	Fast Retailing/Uniqlo	Specialty	2,538	30.2%
9	106	US	Sonic Automotive	Auto	5,939	29.9%
10	213	Japan	Daiso-sangyo	Discount	2,683	29.9%
11	130	US	Bed Bath and Beyond	Specialty	4,478	26.5%
12	119	S. Korea	Shinsegae	Department, Food Service, Hypermarket	4,965	26.2%
13	170	US	Starbucks	Food Service	3,450	25.6%
14	82	Spain	Mercadona	Supermarket	7,592	25.2%
15	248	US	Lithia Motors	Auto	2,200e	25.2%
16	87	US	CCA Global	Specialty	7,000e	23.9%
17	140	US	CarMax	Auto	4,024e	23.5%
18	165	US	Advance Auto Parts	Specialty	3,494	23.4%
19	120	Spain	Inditex	Specialty	4,930	23.4%
20	166	Italy	Autogrill	Food Service	3,488	23.3%
21	210	US	The Pantry	Convenience, Food Service	2,750	23.1%
22	196	S Africa	Massmart	Cash & Carry, DIY, Discount, Supermarket, Warehouse	2,996e	23.0%
23	61	US	Kohl's	Department	10,282	22.8%
24	16	Germany	Schwarz Group	Discount, Hypermarket, Superstore	33,435e	22.4%
25	204	US	Dollar Tree Stores	Discount	2,800	21.1%
26	2	France	Carrefour	Cash & Carry, Convenience, Discount, Hypermarket, Specialty, Supermarket	79,796	20.8%
27	86	US	United Auto Group	Auto	7,400e	20.8%
28	19	US	Lowe's	DIY	30,838	20.3%
29	147	US	Group 1 Automotive	Auto	3,890	19.7%
30	163	Brazil	Pao de Acucar	Discount, Hypermarket, Specialty, Supermarket	3,581	19.5%
31	28	US	Best Buy	Specialty	24,547	19.5%
32	208	US	Williams-Sonoma	Specialty	2,754	18.9%
33	138	S. Africa	Pick 'n Pay Stores	Convenience, Drug, Hypermarket, Specialty, Supermarket	4,050	18.8%
34	241	Spain	Caprabo	Cash & Carry, Supermarket	2,318e	18.6%
35	104	UK	Cooperative Group	Auto, Convenience, Department, Drug, Hypermarket, Specialty, Supermarket, Superstore	6,051e	17.9%
36	186	US	Whole Foods Markets	Supermarket	3,149	17.8%
37	238	US	Linens 'n Things	Specialty	2,395	17.6%
38	195	Germany	Celesio (Gehe)	Drug	3,002	17.6%
39	155	Ireland	Musgrave	Cash & Carry, Convenience, Supermarket, Specialty	3,782	17.5%
40	219	US	Retail Ventures	Discount	2,594	17.4%
41	15	US	Albertsons	Convenience, Drug, Supermarket	35,436	17.2%
42	243	US	Charming Shoppes	Specialty	2,286	17.2%
43	44	Spain	El Corte Ingles	Convenience, Department, Hypermarket, Specialty, Supermarket	13,686	17.1%
44	172	Mexico	Soriana	Hypermarket, Superstore, Warehouse	3,323	17.0%
45	3	US	Home Depot	DIY	64,816	16.5%
46	107	Sweden	Hennes & Mauritz	Specialty	5,889	16.4%
47	89	US	Dollar General	Discount	6,872	16.4%
48	17	US	Walgreens	Drug	32,505	16.3%
49	148	Japan	Bic Camera	Specialty	3,886	16.0%
50	151	Norway	Reitan	Convenience, Discount, Food Service, Specialty, Supermarket	3,820e	15.9%

e = estimate *CAGR= Compound Annual Growth Rate*

Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/ (Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
1	US	Wal-Mart	Discount, Hypermarket, Supermarket, Superstore, Warehouse	258,681	256,329	9,054	Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico, S. Korea, UK, US	13.2%
2	France	Carrefour	Cash & Carry, Convenience, Discount, Hypermarket, Specialty, Supermarket	79,796	79,796	1,834	Argentina, Belgium, Brazil, China, Colombia, CzechRep., Dominican Rep., Egypt, France, Greece, Indonesia, Italy, Japan, Malaysia, Mexico, Oman, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Spain, S. Korea, Switzerland, Taiwan, Thailand, Tunisia, Turkey, UAE	20.8%
3	US	Home Depot	DIY	64,816	64,816	4,304	Canada, Mexico, Puerto Rico, US	16.5%
4	Germany	Metro	Cash & Carry, Department, DIY, Food Service, Hyper-market, Specialty, Superstore	60,674	60,503	647	Austria, Belgium, Bulgaria, China, Croatia, Czech Rep., Denmark, France, Germany, Greece, Hungary, India, Italy, Japan, Luxembourg, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Switzerland, Turkey, Ukraine, UK, Vietnam	3.1%
5	US	Kroger	Convenience, Discount, Specialty, Supercenter, Supermarket, Warehouse	53,791	53,791	315	US	14.4%
6	UK	Tesco	Convenience, Department, Hypermarket, Supermarket, Superstore	51,535	51,535	1,843	Czech Rep., Hungary, Japan, Rep. of Ireland, Malaysia, Poland, S. Korea, Slovakia, Taiwan, Thailand, Turkey, UK	12.5%
7	US	Target	Department, Discount, Supercenter	48,163	46,781	1,841	US	8.9%
8	Netherlands	Ahold	Cash & Carry, Convenience, Discount, Drug, Hyper-market, Specialty, Supermarket	63,473	44,584	(1)	Argentina, Brazil, Costa Rica, Czech Rep., Denmark, El Salvador, Estonia, Guatemala, Honduras, Latvia, Lithuania, Netherlands, Nicaragua, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Thailand, US	10.7%
9	US	Costco	Warehouse	42,546	41,693	721	Canada, Japan, S. Korea, Mexico, Puerto Rico, Taiwan, UK, US	11.8%
10	Germany	Aldi Einkauf	Discount, Supermarket	40,060[e]	40,060[e]	n/a	Australia, Austria, Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Rep. of Ireland, Spain, UK, US	14.4%
11	Germany	Rewe	Cash & Carry, Discount, DIY, Drug, Hypermarket, Specialty, Supermarket, Superstore	44,355	38,931[e]	n/a	Austria, Bulgaria, Croatia, Czech Rep., France, Germany, Hungary, Italy, Poland, Romania, Slovakia, Switzerland, Ukraine	1.5%
12	France	Intermarché	Cash & Carry, Convenience, Discount, DIY, Food Service, Specialty, Supermarket, Superstore	37,472[e]	37,472[e]	n/a	Belgium, France, Germany, Poland, Portugal, Romania, Spain	2.4%
13	US	Sears	Department, Mail Order, Specialty	41,124	36,372	3,397	Canada, Puerto Rico, US	-2.5%
14	US	Safeway, Inc.	Supermarket	35,553	35,553	(170)	Canada, Mexico, US	7.7%
15	US	Albertsons	Convenience, Drug, Supermarket	35,436	35,436	556	US	17.2%

Rank determined by 2003 retail sales   ** includes non-retail*   *n/a = not available*   *ne = not in existence (created by merger or divestment since 1998)*   *e = estimate*
CAGR = Compound Annual Growth Rate   *Name after forward slash is retail segment of parent company*   *Name in parentheses is former name of company*

Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/ (Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
16	Germany	Schwarz Group	Discount, Hypermarket, Superstore	33,435[e]	33,435[e]	n/a	Austria, Belgium, Croatia, Czech Republic, Finland, France, Germany, Greece, Rep. of Ireland, Italy, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, UK	22.4%
17	US	Walgreens	Drug	32,505	32,505	1,176	Puerto Rico, US	16.3%
18	France	Auchan	Department, DIY, Hyper-market, Specialty, Supermarket	32,497	32,497	651	Argentina, China, France, Hungary, Italy, Luxembourg, Morocco, Poland, Portugal, Russia, Spain, Taiwan	1.4%
19	US	Lowe's	DIY	30,838	30,838	1,877	US	20.3%
20	Japan	Ito-Yokado	Convenience, Department, Food Service, Specialty, Supermarket, Superstore	31,171	30,819	472	Canada, China, Japan, US	4.4%
21	Germany	Tengelmann	Cash & Carry, Discount, DIY, Drug, Hypermarket, Specialty, Supermarket, Superstore	29,091[e]	29,091[e]	n/a	Austria, Bosnia-Herzogovina, Canada, China, Czech Rep., Germany, Hungary, Italy, Poland, Portugal, Slovakia, Slovenia, Spain, Switzerland, US	-2.0%
22	Japan	AEON	Convenience, Drug, Department, Discount, DIY, Food Service, Specialty, Supermarket, Superstore	31,207	28,697	487	Canada, China, Hong Kong SAR, Japan, Malaysia, Singapore, S. Korea, Taiwan, Thailand, UK, US	6.9%
23	UK	J Sainsbury	Convenience, Hypermarket, Supermarket, Superstore	29,024	28,630	671	UK, US	1.0%
24	Germany	Edeka	Cash & Carry, Convenience, Discount, DIY, Specialty, Supermarket, Hypermarket, Superstore	29,751[e]	28,330[e]	n/a	Austria, Czech Rep., Denmark, Germany, Russia	-3.1%
25	France	E Leclerc	Convenience, Hypermarket, Supermarket	27,396[e]	27,396[e]	n/a	France, Italy, Poland, Portugal, Slovenia, Spain	5.7%
26	US	CVS	Drug	26,588	26,588	847	US	11.7%
27	France	Casino	Cash & Carry, Convenience, Department, Discount, Food Service, Hypermarket, Specialty, Supermarket, Warehouse	26,018	26,018	557	Argentina, Bahrain, Brazil, Colombia, Comoros, France, Madagascar, Mauritius, Mayotte, Mexico, Netherlands, Poland, Reunion, Taiwan, Thailand, Uruguay, US, Venezuela, Vietnam	10.6%
28	US	Best Buy	Specialty	24,547	24,547	705	Canada, US	19.5%
29	US	Kmart	Discount, Superstore	23,253	23,253	(614)	Puerto Rico, US	-7.1%
30	Belgium	Delhaize Group	Cash & Carry, Convenience, Drug, Specialty, Supermarket	21,306	21,306	194	Belgium, Czech Rep., Germany, Greece, Indonesia, Luxembourg, Romania, Slovakia, Thailand, US	7.8%
31	Australia	Woolworths	Convenience, Department, Specialty, Supermarket	19,941	19,941	491	Australia, New Zealand	10.6%
32	US	JCPenney	Department, Mail Order	17,786	17,786	(928)	Brazil, Puerto Rico, US	-9.7%
33	Germany	KarstadtQuelle	Department, Food Service, Mail Order, Specialty	17,287	16,976	122	Austria, Belgium, Bosnia-Herzogovina, Croatia, Czech Rep., Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Netherlands, Poland, Serbia-Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK, US	-2.3%
34	US	AutoNation	Auto	19,381	16,867	479	US	5.9%
35	US	Publix	Convenience, Supermarket	16,848	16,848	661	US	6.9%

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Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/ (Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
36	US	Rite Aid	Drug	16,600	16,600	83	US	5.6%
37	Australia	Coles Myer	Convenience, Department, Specialty, Supermarket	16,045	16,045	255	Australia, New Zealand	5.6%
38	US	Gap	Specialty	15,854	15,854	1,030	Canada, France, Germany, Japan, UK, US	11.9%
39	France	Pinault-Printemps-Redoute	Auto, Department, Mail Order, Specialty	27,578	15,739[e]	730	Algeria, Austria, Belgium, Benin, Brazil, Burkina Faso, Cameroon, Central Africa, Chad, Congo, D.R.Congo, Denmark, Equatorial Guinea, Finland, France, Gabon, Gambia, Germany, Ghana, Guyana, Italy, Ivory Coast, Japan, Kenya, Luxembourg, Madagascar, Malawi, Mali, Mauritius, Morocco, New Caledonia, Nigeria, Norway, Netherlands, Portugal, Reunion, Senegal, Spain, Sweden, Switzerland, Taiwan, Tanzania, Togo, UK, US, Zambia	10.2%
40	US	Federated Department Stores	Department, Specialty	15,264	15,264	693	Puerto Rico, US	-0.7%
41	UK	Safeway	Convenience, Hypermarket, Supermarket, Superstore	15,129[e]	15,129[e]	n/a	UK	3.5%
42	Japan	Daiei	Department, Discount, Specialty, Supermarket, Superstore	17,544	14,562	160	China, Japan, US	-10.3%
43	UK	Kingfisher	DIY	14,542	14,522	379	China, France, Germany, Rep. of Ireland, Italy, Poland, Slovakia, Spain, Taiwan, Turkey, UK	3.5%
44	Spain	El Corte Ingles	Convenience, Department, Hypermarket, Specialty, Supermarket	16,352	13,686	670	Spain, Portugal	17.1%
45	UK	Marks & Spencer	Department, Specialty, Supermarket	14,057	13,498	935	Bahrain, Bermuda, Croatia, Cyprus, Czech Rep., Greece, Hong Kong SAR, Hungary, India, Indonesia, Kuwait, Malaysia, Malta, Oman, Philippines, Poland, Qatar, Rep. of Ireland, Romania, Saudi Arabia, Singapore, S. Korea, Thailand, Turkey, UAE, UK, US	0.2%
46	Canada	Loblaws	Cash&Carry, Convenience, Hypermarket, Supermarket, Superstore, Warehouse	18,065	13,441	605	Canada	8.5%
47	US	May Department Stores	Department, Specialty	13,343	13,343	434	Puerto Rico, US	0.4%
48	US	TJX Cos.	Discount	13,328	13,328	658	Canada, Rep. of Ireland, UK, US	10.9%
49	US	McDonald's	Food Service	17,140	12,795	1,471	Global	0.6%
50	Sweden	IKEA	Specialty	12,118	12,118	n/a	Australia, Austria, Belgium, Canada, China, Czech Rep., Denmark, Finland, France, Germany, Greece, Hong Kong SAR, Hungary, Iceland, Israel, Italy, Kuwait, Malaysia, Netherlands, Norway, Poland, Russia, Saudi Arabia, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan, UAE, UK, US	12.5%

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51	Italy	Coop Italia	Discount, DIY, Hypermarket, Supermarket	11,784[e]	11,784[e]	n/a	Croatia, Italy	6.7%
52	US	Toys 'R' Us	Specialty	11,566	11,566	88	Australia, Austria, Bahrain, Canada, Denmark, Egypt, France, Germany, Hong Kong SAR, Indonesia, Israel, Japan, Kuwait, Malaysia, Mauritius, Netherlands, Norway, Oman, Portugal, Qatar, Saudi Arabia, Singapore, S. Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, UAE, UK, US	0.7%
53	Germany	Otto (Otto Versand)	Cash & Carry, Mail Order, Specialty	16,652	11,419	219	Austria, Belgium, China, Czech Rep., France, Germany, Hungary, Italy, Japan, Korea, Netherlands, Poland, Portugal, Romania, Spain, Switzerland,UK, US	-10.3%
54	US	Meijer	Superstore	11,100[e]	11,100[e]	n/a	US	7.9%
55	Switzerland	Migros Genossenschaft	Convenience, Department, Hypermarket, Specialty, Supermarket, Superstore	14,898	10,704	277	France, Germany, Switzerland	-0.1%
56	UK	Dixons	Specialty	11,116	10,702[e]	480	Czech Rep., Denmark, Finland, France, Greece, Hungary, Iceland, Rep. of Ireland, Italy, Norway, Spain, Sweden, UK	15.1%
57	US	H.E. Butt	Supermarket	10,700[e]	10,700[e]	n/a	Mexico, US	11.4%
58	Sweden	Coop Norden	Convenience, Discount, DIY, Supermarket, Superstore	10,683	10,683	4	Denmark, Norway, Sweden	ne
59	US	Winn-Dixie	Supermarket	10,633	10,633	(100)	Bahamas, US	-5.5%
60	US	SuperValu	Discount, Supermarket, Superstore	20,210	10,551	280	US	15.7%
61	US	Kohl's	Department	10,282	10,282	591	US	22.8%
62	France	Louis Delhaize	Cash & Carry, Convenience, Discount, Hypermarket, Specialty, Supermarket	10,189[e]	10,189[e]	n/a	Belgium, France, French Guiana, Guadeloupe, Hungary, Luxembourg, Martinique, Romania	5.1%
63	Japan	Uny	Convenience, Department, DIY, Drug, Specialty, Supermarket, Superstore	10,275	10,141	86	Hong Kong SAR, Japan	1.0%
64	US	Circuit City	Specialty	9,745	9,745	(1)	US	0.9%
65	US	Dell	E-commerce	41,444	9,700[e]	2,645	Global	n/a
66	Switzerland	Coop Switzerland	Convenience, Department, Drug, DIY, Food Service, Hypermarket, Mail Order, Specialty, Supermarket	10,745	9,454	254	Switzerland	2.6%
67	UK	GUS	Department, DIY, Specialty	12,781	9,447	801	Australia, Botswana, China, France, Germany, Hong Kong SAR, Rep. of Ireland, Italy, Japan, Lesotho, Malaysia, Namibia, Netherlands, Philippines, Russia, Saipan, Singapore, Spain, S. Africa, S. Korea, Swaziland, Switzerland, Taiwan, Thailand, UK, US	6.2%
68	US	Staples	E-commerce, Mail Order, Specialty	13,181	9,440[e]	490	Belgium, Canada, Germany, Italy, Netherlands, Portugal, Spain, Sweden, UK, US	5.8%
69	US	Limited Brands	Specialty	8,934	8,934	717	US	-0.9%

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70	Japan	Millennium Retailing Group	Department	8,647	8,546	1,650	Japan	ne
71	US	Office Depot	E-commerce, Mail Order, Specialty	12,359	8,397[e]	276	Austria, Belgium, Canada, Costa Rica, El Salvador, France, Germany, Guatemala, Hungary, Rep. of Ireland, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Poland, Portugal, Spain, Switzerland, Thailand, UK, US	-1.4%
72	Japan	Takashimaya	Department, Specialty	9,807	8,360	(32)	France, Italy, Japan, Singapore, Taiwan, US	-1.2%
73	Japan	Yamada Denki	Specialty	8,330	8,330	170	Japan	31.1%
74	France	Systeme U	Hypermarket, Supermarket, Superstore	8,264[e]	8,264[e]	n/a	France, Martinique, Mauritius, Reunion	-2.7%
75	Canada	Empire/Sobeys	Convenience, Discount, Drug, Supermarket, Superstore	8,234	8,234	124	Canada	12.1%
76	UK	Wm Morrison	Supermarket, Superstore	8,171	8,171	327	UK	14.3%
77	Japan	Seiyu	Department, DIY, Specialty, Supermarket, Superstore	8,251	7,876	(62)	Hong Kong SAR, Japan, Singapore, Vietnam	-3.1%
78	UK	Somerfield	Convenience, Discount, Supermarket	7,742	7,742	96	UK	-5.2%
79	UK	Boots	Drug	9,017	7,649	699	Hong Kong SAR, Rep. of Ireland, Netherlands, Switzerland, Taiwan, Thailand, UK, US	-0.5%
80	S. Korea	Lotte	Convenience, Department, Food Service, Hypermarket, Supermarket	7,633	7,633	95	China, S. Korea	12.7%
81	US	Dillard's	Department	7,599	7,599	9	US	-0.5%
82	Spain	Mercadona	Supermarket	7,592	7,592	142	Spain	25.2%
83	US	Army & Air Force	Specialty Exchange Services	7,905	7,585	485	Global	1.3%
84	US	Yum! Brands	Food Service	8,380	7,441	617	Global	-1.1%
85	UK	John Lewis	Department, Hypermarket, Supermarket	7,437	7,437	102	UK	5.0%
86	US	United Auto Group	Auto	8,671	7,400[e]	83	Brazil, UK, US	20.8%
87	US	CCA Global	Specialty	8,000[e]	7,000[e]	n/a	Australia, Canada, New Zealand, UK, US	23.9%
88	Japan	Mitsukoshi	Department	8,068	6,943	77	China, France, Germany, Hong Kong, Italy, Japan, Spain, Taiwan, UK, US	-3.5%
89	US	Dollar General	Discount	6,872	6,872	301	US	16.4%
90	Finland	Kesko	Auto, Department, DIY, Discount, Food Service, Hypermarket, Supermarket, Specialty	8,004	6,812	109	Estonia, Finland, Latvia, Lithuania, Sweden	10.7%
91	US	Avon	Direct Selling	6,876	6,805	665	Global	5.5%
92	Finland	S Group	Auto, Convenience, Department, Discount, Food Service, Hypermarket, Specialty, Supermarket	8,093	6,728	40	Estonia, Finland, Latvia	10.1%

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93	S Africa	Metcash	Cash & Carry, Convenience, Specialty, Supermarket	7,341	6,698e	94	Angola, Australia, Botswana, China, Israel, Kenya, Madagascar, Malawi, Mozambique, New Zealand, S. Africa, Uganda, Zambia, Zimbabwe	10.4%
94	Hong Kong SAR	Hutchison Whampoa/AS Watson	Drug, Specialty, Supermarket	18,703	6,631e	1,847	Belgium, China, Czech Rep., Hong Kong SAR, Hungary, Luxembourg, Macau, Malaysia, Netherlands, Poland, Philippines, Switzerland, Taiwan, Thailand, UK	31.9%
95	US	BJ's Wholesale Club	Warehouse	6,724	6,585	103	US	13.6%
96	US	Nordstrom	Department, Specialty	6,492	6,492	243	Belgium, France, Portugal, Spain, US	5.2%
97	Germany	Schlecker	Drug, DIY, Hypermarket	6,453e	6,453e	n/a	Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Spain	6.6%
98	France	Galeries Lafayette	Department, Hypermarket	6,261	6,261	130	France	3.7%
99	US	CompUSA	Specialty	4,700e	4,700e	n/a	US	-2.3%
100	UK	KESA Electricals	Specialty	6,233	6,233	187	Belgium, Czech Rep., France, Netherlands, Slovakia, UK	ne
101	Japan	Daimaru	Department, Supermarket	7,206	6,207	105	Japan	-2.6%
102	Austria	SPAR Austria Group	Convenience, Hypermarket, Specialty, Supermarket, Superstore	6,125e	6,125e	n/a	Austria, Czech Rep., Hungary, Italy, Slovenia	11.3%
103	US	Saks	Department, Specialty	6,055	6,055	83	US	-0.5%
104	UK	Cooperative Group	Auto, Convenience, Department, Drug, Hypermarket, Specialty, Supermarket, Superstore	12,774e	6,051e	n/a	UK	17.9%
105	US	Barnes & Noble	Specialty	5,951	5,951	152	Rep. of Ireland, Puerto Rico, US	14.6%
106	US	Sonic Automotive	Auto	7,034	5,939	79	US	29.9%
107	Sweden	Hennes & Mauritz	Specialty	5,889	5,889	780	Austria, Belgium, Czech Rep., Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, UK, US	16.4%
108	Belgium	C&A	Specialty	5,660e	5,660e	n/a	Austria, Belgium, Czech Rep., France, Germany, Hungary, Luxembourg, Netherlands, Poland, Portugal, Spain, Switzerland	-3.9%
109	US	Menards	DIY	5,600e	5,600e	n/a	US	7.0%
110	France	LeRoy Merlin	DIY, Specialty	5,434	5,434	n/a	Brazil, France, Italy, Poland, Portugal, Spain	12.6%
111	Japan	Isetan	Department, Food Service, Specialty, Supermarket	5,453	5,349	(27)	Austria, China, Hong Kong, Japan, Malaysia, Singapore, Thailand, US, UK	3.0%
112	Denmark	Dansk Supermarked	Department, Discount, Hypermarket, Specialty, Superstore	5,346e	5,346e	n/a	Denmark, Germany, Poland, UK, Sweden	4.6%
113	Canada	Hudson's Bay	Department, Specialty Company	5,378	5,316	50	Canada	0.7%
114	US	DeCA (Defense Commissary Agency)	Commissary	5,325	5,316	n/a	Azores, Belgium, Egypt, Germany, Guam, Iceland, Italy, Japan, S. Korea, Netherlands, Okinawa, Puerto Rico, Saudi Arabia, Spain, Turkey, UK, US	1.6%

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115	Spain	Eroski	Cash & Carry, Convenience, Discount, Hypermarket, Specialty, Supermarket, Superstore	5,459	5,273[e]	125	France, Spain	9.1%
116	US	Amazon.com	E-commerce	5,264	5,264	35	Canada, France, Germany, Japan, UK, US	53.9%
117	Netherlands	VendexKBB	Department, DIY, Specialty	5,114	5,065	10	Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Spain	12.8%
118	US	Darden Restaurants	Food Service	5,003	5,003	231	Canada, US	8.8%
119	S. Korea	Shinsegae	Department, Food Service, Hypermarket	4,965	4,965	266	China, S. Korea	26.2%
120	Spain	Inditex	Specialty	5,284	4,930	513	Andorra, Austria, Argentina, Bahrain, Belgium, Brazil, Canada, Chile, Cyprus, Czech Rep., Denmark, Dominican Rep, El Salvador, Finland, France, Germany, Greece, Iceland, Rep. of Ireland, Israel, Italy, Japan, Jordan, Kuwait, Lebanon, Luxembourg, Malaysia, Malta, Mexico, Netherlands, Norway, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UAE, UK, US, Uruguay, Venezuela	23.4%
121	US	Liberty Media/ QVC	TV Shopping	5,802	4,889	(1,222)	Germany, Japan, UK, US	15.3%
122	Italy	Conad	Convenience, Hypermarket, Supermarket	4,868[e]	4,868[e]	n/a	Italy	-2.4%
123	Japan	Yodobashi Camera	Specialty	4,835	4,835	123	Japan	13.9%
124	US	AutoZone	Specialty	5,457	4,787	518	Mexico, US	8.1%
125	US	Foot Locker	Specialty	4,779	4,779	207	Australia, Austria, Belgium, Canada, Denmark, France, Germany, Guam, Rep. of Ireland, Italy, Luxembourg, Netherlands, New Zealand, Puerto Rico, Spain, Sweden, UK, US, Virgin Islands	2.8%
126	US	Family Dollar	Discount	4,750	4,750	247	US	15.0%
127	US	RadioShack	Specialty	4,649	4,649	299	Puerto Rico, US, Virgin Islands	-0.6%
128	US	Alticor/Amway	Direct Selling, e-commerce	4,900[e]	4,500[e]	n/a	Global	-4.6%
129	US	Longs Drugs	Drug	4,527	4,499	30	US	6.6%
130	US	Bed Bath and Beyond	Specialty	4,478	4,478	399	US	26.5%
131	Canada	Couche-Tard	Convenience, Food Service	4,377	4,377	59	Canada, US	55.4%
132	US	V.T. Inc.	Auto	5,650[e]	4,349[e]	n/a	US	n/a
133	Canada	Canadian Tire	Specialty	4,694	4,343	177	Canada	11.5%
134	US	Hy-Vee	Drug, Supermarket	4,240[e]	4,240[e]	n/a	US	7.5%
135	Japan	Kojima	Specialty	4,224	4,214	4	Japan	5.4%
136	US	Big Lots	Discount	4,174	4,174	81	US	10.4%
137	Germany	Globus	DIY, Hypermarket, Specialty	4,169	4,169	29	Czech Rep., Germany	4.7%

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138	S. Africa	Pick 'n Pay Stores	Convenience, Drug, Hypermarket, Specialty, Supermarket	4,050	4,050	71	Australia, Botswana, Namibia, S. Africa, Swaziland, Zimbabwe	18.8%
139	US	Boise/OfficeMax	Mail Order, Specialty	8,245	4,025[e]	8	Canada, Mexico, Puerto Rico, US, Virgin Islands	-1.5%
140	US	CarMax	Auto	4,598	4,024[e]	117	US	23.5%
141	UK	Compass	Food Service	18,077	4,004[e]	295	Global	n/a
142	US	Asbury Automotive	Auto	4,777	4,000[e]	15	US	33.9%
143	US	Pathmark	Supermarket	3,991	3,991	17	US	1.8%
144	US	Ross Stores	Discount	3,921	3,921	228	US	12.4%
145	Portugal	Sonae/Modelo Continente	Cash & Carry, Convenience, DIY, Hypermarket, Specialty, Supermarket, Superstore	3,928	3,894	85	Brazil, Portugal	6.6%
146	S. Africa	Shoprite Holdings	Cash & Carry, Convenience, Food Service, Discount, Hypermarket, Specialty, Supermarket	3,894	3,894	81	Angola, Botswana, Egypt, Ghana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Swaziland, S. Africa, Tanzania, Uganda, Zambia, Zimbabwe	13.0%
147	US	Group 1 Automotive	Auto	4,519	3,890	76	US	19.7%
148	Japan	Bic Camera	Specialty	3,886	3,886	n/a	Japan	16.0%
149	UK	Next	Specialty	4,158	3,872	405	Bahrain, Cyprus, Czech Rep., Iceland, Indonesia, Rep. of Ireland, Japan, Kuwait, Lebanon, Malta, Oman, Qatar, Saudi, Arabia, UAE, UK	13.6%
150	Japan	Marui	Department, Specialty	4,843	3,837[e]	131	Japan	-1.3%
151	Norway	Reitan	Convenience, Discount, Food Service, Specialty, Supermarket	3,820[e]	3,820[e]	n/a	Denmark, Latvia, Norway, Slovakia, Sweden	15.9%
152	Canada	Metro (Metro-Richelieu)	Convenience, Discount, Drug, Supermarket, Superstore	3,815	3,815	114	Canada	8.8%
153	Norway	NorgesGruppen	Convenience, Discount, Supermarket	3,809	3,809	43	Norway	-1.1%
154	Australia	Foodland	Cash & Carry, Convenience, Department, Specialty, Supermarket	3,793	3,793	71	Australia, New Zealand	11.5%
155	Ireland	Musgrave	Cash & Carry, Convenience, Supermarket, Specialty	3,782	3,782	49	Rep. of Ireland, Spain, UK	17.5%
156	UK	Woolworths (UK)	Department, Specialty	4,586	3,776	76	UK	ne
157	Italy	Esselunga	Supermarket	3,749[e]	3,749[e]	n/a	Italy	11.7%
158	US	Brinker International	Food Service	3,707	3,707	154	Australia, Bahrain, Canada, Egypt, Guatemala, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, S. Korea, Taiwan, UAE, UK, US, Venezuela	14.7%
159	US	Borders	Specialty	3,731	3,699	120	Australia, New Zealand, Puerto Rico, Singapore, UK, US	7.3%
160	Belgium	Colruyt	Cash & Carry, Convenience, Discount, Specialty, Supermarket	4,533	3,688	219	Belgium, France	10.6%

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161	US	Giant Eagle	Convenience, Drug, Supermarket	4,739[e]	3,667[e]	n/a	US	4.1%
162	Portugal	Jeronimo Martins	Cash & Carry, Discount, Specialty, Supermarket, Superstore	3,868	3,586[e]	93	Poland, Portugal	1.2%
163	Brazil	Pao de Acucar	Discount, Hypermarket, Specialty, Supermarket	3,581	3,581	29	Brazil	19.5%
164	China	Shanghai Friendship	Convenience, Supermarket, Warehouse	3,545	3,545	n/a	China	ne
165	US	Advance Auto Parts	Specialty	3,494	3,494	125	Puerto Rico, US, Virgin Islands	23.4%
166	Italy	Autogrill	Food Service	3,558	3,488	57	Australia, Austria, Belgium, Canada, France, Germany, Greece, Italy, Luxembourg, Netherlands, New Zealand, Spain, Switzerland, US	23.3%
167	Japan	Izumi	Food Service, Specialty, Superstore	3,587	3,484	77	Japan	7.8%
168	US	Sherwin-Williams	Specialty	5,408	3,469	332	Argentina, Brazil, Canada, Chile, Mexico, Puerto Rico, US, Uruguay, Virgin Islands	-0.4%
169	Hong Kong SAR	Dairy Farm International	Convenience, Discount, DIY, Drug, Food Service, Hypermarket, Specialty, Supermarket	3,457	3,457	125	China, Hong Kong SAR, India, Indonesia, S. Korea, Malaysia, Singapore, Taiwan	-9.7%
170	US	Starbucks	Food Service	4,076	3,450	268	Australia, Austria, Bahrain, Canada, Chile, China, Germany, Greece, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, New Zealand, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, Singapore, S. Korea, Spain, Switzerland, Taiwan, Thailand, Turkey, UAE, UK, US	25.6%
171	France	LVMH	Department, Specialty, Supermarket	13,542	3,440	818	Australia, Canada, France, Guam, Hong Kong SAR, Indonesia, Italy, Japan, Malaysia, New Zealand, Poland, Portugal, Saipain, Singapore, S. Korea, Spain, Taiwan, UK, US	11.1%
172	Mexico	Soriana	Hypermarket, Superstore, Warehouse	3,323	3,323	151	Mexico	17.0%
173	US	Wegman's	Supermarket, Superstore	3,300[e]	3,300[e]	n/a	US	4.3%
174	Mexico	Controladora Comercial Mexicana	Food Service, Hypermarket, Supermarket, Superstore, Warehouse	3,247	3,247	96	Mexico	8.2%
175	Japan	Life	Supermarket	3,310	3,226	14	Japan	0.9%
176	Japan	Hankyu Department Stores	Department, Supermarket	3,411	3,221	72	Japan	-1.4%
177	Japan	Edion	Specialty	3,851	3,213	27	Japan	ne
178	Netherlands	SHV/Makro	Cash & Carry, Specialty	11,628	3,211	302	Argentina, Brazil, China, Colombia, Indonesia, Malaysia, Philippines, Thailand, Venezuela	-4.3%
179	US	Raley's	Supermarket, Superstore	3,200[e]	3,200[e]	n/a	US	7.1%
180	Japan	Tokyu Department Store	Department, Specialty	3,245	3,199	(80)	Japan	0.7%
181	Japan	Matsuzakaya	Department, Supermarket	3,302	3,187	(74)	France, Japan	-4.1%

Rank determined by 2003 retail sales   ** includes non-retail*   *n/a = not available*   *ne = not in existence (created by merger or divestment since 1998)*   *e = estimate*
CAGR = Compound Annual Growth Rate   *Name after forward slash is retail segment of parent company*   *Name in parentheses is former name of company*

Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/ (Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
182	US	ShopKo	Discount, Drug	3,197	3,184	39	US	6.3%
183	UK	Littlewoods	Department	3,168[e]	3,168[e]	n/a	UK	-1.5%
184	Canada	Shoppers Drug Mart	Drug	3,163	3,163	185	Canada	10.7%
185	Japan	Maruetsu	Supermarket	3,207	3,151	9	Japan	1.9%
186	US	Whole Foods Markets	Supermarket	3,149	3,149	104	Canada, US	17.8%
187	US	Michaels Stores	Specialty	3,091	3,091	178	Canada, US	14.5%
188	Japan	Skylark	Food Service	3,225	3,084	42	Japan	2.8%
189	Sweden	Axfood	Convenience, Discount, Supermarket	4,173	3,084	85	Finland, Sweden	ne
190	Japan	Heiwado	Food Service, Hypermarket, Supermarket, Superstore	3,113	3,073	49	China, Japan	2.2%
191	UK	HMV Group	Specialty	3,071	3,071	141	Australia, Canada, Hong Kong SAR, Rep. of Ireland, Japan, Singapore, UK, US	ne
192	Japan	Izumiya	Food Service, Specialty, Supermarket, Superstore	3,246	3,059	21	Japan	-2.3%
193	US	Neiman Marcus	Mail Order, Specialty	3,098	3,018	109	US	4.9%
194	Canada	Jean Coutu	Drug	3,054	3,004	132	Canada, US	12.0%
195	Germany	Celesio (Gehe)	Drug	20,988	3,002	288	Belgium, Czech Rep., Rep. of Ireland, Italy, Netherlands, Norway, UK	17.6%
196	S Africa	Massmart	Cash & Carry, DIY, Discount, Supermarket, Warehouse	3,477	2,996[e]	82	Botswana, Lesotho, Mauritius, Namibia, S. Africa, Uganda, Zambia, Zimbabwe	23.0%
197	UK	Arcadia Group	Specialty	2,911	2,911	n/a	Austria, Bahrain, Chile, Croatia, Cyprus, Denmark, France, Germany, Hong Kong SAR, Hungary, Iceland, Rep. of Ireland, Japan, Kuwait, Lebanon, Malta, Poland, Portugal, Qatar, Saudi Arabia, Singapore, Slovenia, Spain, Taiwan, Turkey, UAE, UK, US	-2.7%
198	UK	Debenhams	Department	2,890[e]	2,890[e]	n/a	Bahrain, Dubai, Hungary, Rep. of Ireland, Kuwait, UK	1.5%
199	Mexico	Grupo Gigante	Discount, Food Service, Specialty, Supermarket, Superstore, Warehouse	2,890	2,890	29	Mexico, US	8.6%
200	UK	WH Smith	Specialty	4,631	2,886	37	Australia, France, Hong Kong SAR, New Zealand, Singapore, UK, US	-0.8%
201	Germany	Norma	Discount, Drug	2,872[e]	2,872[e]	n/a	Czech Rep., France, Germany	5.3%
202	US	Burlington Coat Factory	Specialty	2,878	2,846	68	US	7.4%
203	US	PETsMART	Specialty	2,996	2,800[e]	140	Canada, US	7.0%
204	US	Dollar Tree Stores	Discount	2,800	2,800	178	US	21.1%
205	Japan	Kintetsu Department	Department, Supermarket	3,630	2,787	24	Japan	1.2%
206	US	Payless ShoeSource	Specialty	2,783	2,783	0	Canada, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guam, Guatemala, Honduras, Nicaragua, Panama, Peru, Puerto Rico, Saipan, Trinidad & Tobago, US, Virgin Islands	1.3%

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Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/(Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
207	Germany	dm	Drug	2,754[e]	2,754[e]	n/a	Austria, Croatia, Czech Rep., Germany, Hungary, Italy, Slovakia, Slovenia	12.3%
208	US	Williams-Sonoma	Specialty	2,754	2,754	157	US	18.9%
209	US	Stater Bros.	Supermarket	2,754	2,754	10	US	9.8%
210	US	The Pantry	Convenience, Food Service	2,776	2,750	12	US	23.1%
211	Australia	Wesfarmers/ Bunnings	DIY	6,002	2,741[e]	623	Australia, New Zealand	40.6%
212	US	Outback Steakhouse	Food Service	2,744	2,725	170	Australia, Brazil, Canada, China, Costa Rica, Guam, Hong Kong SAR, Indonesia, Japan, Malaysia, Mexico, Singapore, S. Korea, Thailand, UK, US, Venezuela	15.2%
213	Japan	Daiso-sangyo	Discount	2,683	2,683	n/a	Canada, Japan, S Korea, Singapore, Taiwan, Thailand	29.9%
214	UK	FOCUS Wickes	DIY	2,682[e]	2,682[e]	n/a	UK	54.2%
215	Japan	Shimamura	Specialty	2,637	2,637	95	Japan, Taiwan	11.3%
216	UK	The Big Food Group (Iceland)	Cash & Carry, Supermarket	8,723	2,631	47	Rep. of Ireland, UK	-2.3%
217	Japan	Best Denki	Specialty	3,126	2,616	21	Hong Kong SAR, Japan, Malaysia, Singapore	4.8%
218	Switzerland	Manor	Department, Specialty	2,604[e]	2,604[e]	n/a	Switzerland	5.5%
219	US	Retail Ventures	Discount	2,594	2,594	(4)	US	17.4%
220	Germany	Bertelsmann	E-commerce, Mail Order	19,020	2,588	174	Australia, Austria, Belgium, Canada, China, Czech Rep., France, Germany, Hungary, Rep. of Ireland, Italy, Netherlands, New Zealand, Poland, Portugal, Slovakia, Switzerland, S. Korea, Spain, UK, US	-9.2%
221	Germany	Douglas	Specialty	2,548	2,543	(13)	Austria, France, Germany, Italy, Hungary, Monaco, Netherlands, Poland, Portugal, Russia, Slovenia, Spain, Switzerland, US	-1.4%
222	Japan	Fast Retailing/ Uniqlo	Specialty	2,587	2,538	175	China, Japan, UK	30.2%
223	US	Wendy's	Food Service	3,149	2,534	236	Aruba, Bahamas, Canada, Cayman Islands, Dominican Rep., El Salvador, Guam, Guatemala, Honduras, Iceland, Indonesia, Jamaica, Japan, Mexico, New Zealand, Panama, Philippines, Puerto Rico, UK, US, Venezuela, Virgin Islands	9.9%
224	Japan	Coop Kobe	Supermarket, Superstore	2,591	2,526	75	Japan	-4.6%
225	US	Golub Corp./ Price Chopper	Convenience, Supermarket	2,525[e]	2,525[e]	n/a	US	9.3%
226	Italy	Luxottica Retail	Specialty	3,198	2,516	303	Australia, Canada, France, Germany, Hong Kong SAR, Italy, Malaysia, New Zealand, Singapore, UK, US	14.5%
227	Japan	Fuji	Auto, Drug, Hypermarket, Supermarket	2,711	2,515	15	Japan	5.0%
228	Italy	PAM	Discount, Food Service, Hypermarket, Supermarket	2,506[e]	2,506[e]	n/a	Italy	4.0%

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Top 250 Global Retailers

DT Rank 04	Country of Origin	Name of Company	Formats	2003 Group Sales* (US$mil)	2003 Retail Sales (US$mil)	2003 Group Income/ (Loss)* (US$mil)	Countries of Operation	5 yr Retail Sales CAGR % *(Local Currency)*
229	US	84 Lumber	DIY	2,500e	2,500e	n/a	US	8.3%
230	China	Beijing Gome Home Appliance	Specialty	2,481e	2,481e	n/a	China	n/a
231	US	Roundy's Retail	Supermarket	4,383	2,457	55	US	n/a
232	Canada	Jim Pattison Group	Discount, Supermarket, Superstore, Warehouse	3,940	2,448e	n/a	Canada	12.5%
233	Germany	Dohle	Cash & Carry, Department, Discount, DIY, Hypermarket, Specialty, Supermarket, Superstore	3,000e	2,434e	n/a	Germany	-5.8%
234	US	Hendrick Automotive	Auto	2,998e	2,433e	n/a	US	n/a
235	US	Ruddick/Harris Teeter	Supermarket	2,725	2,432	60	US	2.7%
236	Japan	Matsumotokiyoshi	Drug, DIY, Supermarket	2,445	2,430	76	Japan	9.1%
237	UK	Mitchells&Butlers	Food Service	2,423	2,423	216	UK	ne
238	US	Linens 'n Things	Specialty	2,395	2,395	75	US	17.6%
239	Japan	Odakyu Electric Railway	Auto, Convenience, Department, DIY, Supermarket	5,543	2,373	71	Japan	-2.1%
240	US	Casey's General Stores	Convenience	2,369	2,369	36	US	14.8%
241	Spain	Caprabo	Cash & Carry, Supermarket	2,419	2,318e	22	Romania, Spain	18.6%
242	US	Berkshire-Hathaway Retail	Specialty	63,859	2,311	8,151	US	9.3%
243	US	Charming Shoppes	Specialty	2,286	2,286	41	US	17.2%
244	US	Belk	Department	2,265	2,265	112	US	2.0%
245	Japan	Tokyu Store Chain	Drug, Supermarket, Superstore	2,349	2,258	22	Japan	-2.4%
246	US	IAC/HSN	E-commerce, TV Shopping	6,328	2,230	154	China, Germany, Italy, Japan, US	13.0%
247	US	Zale	Specialty	2,212	2,212	(41)	US	11.0%
248	US	Lithia Motors	Auto	2,514e	2,200e	36	US	25.2%
249	US	Schnuck Markets	Drug, Supermarket	2,200e	2,200e	n/a	US	2.4%
250	US	CBRL Group	Food Service, Specialty	2,198	2,197	107	US	10.8%

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Top 250 Global Retailers Alphabetical list

NAME OF COMPANY	DT RANK 04
84 Lumber	229
Advance Auto Parts	165
AEON	22
Ahold	8
Albertsons	15
Aldi Einkauf	10
Alticor/Amway	128
Amazon.com	116
Arcadia Group	197
Army & Air Force Exchange Services	83
Asbury Automotive	142
Auchan	18
Autogrill	166
AutoNation	34
AutoZone	124
Avon	91
Axfood	189
Barnes & Noble	105
Bed Bath and Beyond	130
Beijing Gome Home Appliance	230
Belk	244
Berkshire-Hathaway Retail	242
Bertelsmann	220
Best Buy	28
Best Denki	217
Bic Camera	148
Big Lots	136
BJ's Wholesale Club	95
Boise/OfficeMax	139
Boots	79
Borders	159
Brinker International	158
Burlington Coat Factory	202
C&A	108
Canadian Tire	133
Caprabo	241
CarMax	140
Carrefour	2
Casey's General Stores	240
Casino	27
CBRL Group	250
CCA Global	87
Celesio (Gehe)	195
Charming Shoppes	243
Circuit City	64
Coles Myer	37
Colruyt	160
Compass	141
CompUSA	99
Conad	122
Controladora Comercial Mexicana	174
Coop Italia	51
Coop Kobe	224
Coop Norden	58
Coop Switzerland	66
Cooperative Group	104
Costco	9
Couche-Tard	131
CVS	26
Daiei	42
Daimaru	101
Dairy Farm International	169
Daiso-sangyo	213
Dansk Supermarked	112
Darden Restaurants	118
Debenhams	198
DeCA (Defense Commissary Agency)	114
Delhaize Group	30
Dell	65
Dillard's	81
Dixons	56
dm	207
Dohle	233
Dollar General	89
Dollar Tree Stores	204
Douglas	221
E Leclerc	25
Edeka	24
Edion	177
El Corte Ingles	44
Empire/Sobeys	75
Eroski	115
Esselunga	157
Family Dollar	126
Fast Retailing/Uniqlo	222
Federated Department Stores	40
FOCUS Wickes	214
Foodland	154
Foot Locker	125
Fuji	227
Galeries Lafayette	98
Gap	38
Giant Eagle	161
Globus	137
Golub Corp./Price Chopper	225
Group 1 Automotive	147
Grupo Gigante	199
GUS	67
H.E.Butt	57
Hankyu Department Stores	176
Heiwado	190
Hendrick Automotive	234
Hennes & Mauritz	107
HMV Group	191
Home Depot	3
Hudson's Bay Company	113
Hutchison Whampoa/ AS Watson	94
Hy-Vee	134
IAC/HSN	246
IKEA	50
Inditex	120
Intermarché	12
Isetan	111
Ito-Yokado	20
Izumi	167
Izumiya	192
J Sainsbury	23
JCPenney	32
Jean Coutu	194
Jeronimo Martins	162
Jim Pattison Group	232
John Lewis	85
KarstadtQuelle	33
KESA Electricals	100
Kesko	90
Kingfisher	43
Kintetsu Department	205
Kmart	29
Kohl's	61
Kojima	135
Kroger	5
LeRoy Merlin	110
Liberty Media/QVC	121
Life	175
Limited Brands	69
Linens 'n Things	238
Lithia Motors	248
Littlewoods	183
Loblaw	46
Longs Drugs	129
Lotte	80
Louis Delhaize	62
Lowe's	19
Luxottica Retail	226
LVMH	171
Manor	218
Marks and Spencer	45
Maruetsu	185
Marui	150
Massmart	196
Matsumotokiyoshi	236
Matsuzakaya	181
May Department Stores	47
McDonald's	49
Meijer	54
Menards	109
Mercadona	82
Metcash	93
Metro	4
Metro (Metro-Richelieu)	152
Michaels Stores	187
Migros Genossenschaft	55
Millennium Retailing Group	70
Mitchells&Butlers	237
Mitsukoshi	88
Musgrave	155
Neiman Marcus	193
Next	149
Nordstrom	96
NorgesGruppen	153
Norma	201
Odakyu Electric Railway	239
Office Depot	71
Otto (Otto Versand)	53
Outback Steakhouse	212
PAM	228
Pao de Acucar	163
Pathmark	143
Payless ShoeSource	206
PETsMART	203
Pick 'n Pay Stores	138
Pinault-Printemps-Redoute	39
Publix	35
RadioShack	127
Raley's	179
Reitan	151
Retail Ventures	219
Rewe	11
Rite Aid	36
Ross Stores	144
Roundy's Retail	231
Ruddick/Harris Teeter	235
S Group	92
Safeway	41
Safeway, Inc	14
Saks	103
Schlecker	97
Schnuck Markets	249
Schwarz Group	16
Sears	13
Seiyu	77
Shanghai Friendship	164
Sherwin-Williams	168
Shimamura	215
Shinsegae	119
ShopKo	182
Shoppers Drug Mart	184
Shoprite Holdings	146
SHV/Makro	178
Skylark	188
Somerfield	78
Sonae/Modelo Continente	145
Sonic Automotive	106
Soriana	172
SPAR Austria Group	102
Staples	68
Starbucks	170
Stater Bros.	209
SuperValu	60
Systeme U	74
Takashimaya	72
Target	7
Tengelmann	21
Tesco	6
The Big Food Group (Iceland)	216
The Pantry	210
TJX Cos.	48
Tokyu Department Store	180
Tokyu Store Chain	245
Toys'R'Us	52
United Auto Group	86
Uny	63
V.T. Inc.	132
VendexKBB	117
Walgreens	17
Wal-Mart	1
Wegman's	173
Wendy's	223
Wesfarmers/Bunnings	211
WH Smith	200
Whole Foods Markets	186
Williams-Sonoma	208
Winn-Dixie	59
Wm Morrison	76
Woolworths	31
Woolworths (UK)	156
Yamada Denki	73
Yodobashi Camera	123
Yum! Brands	84
Zale	247

Economic Overview

By Ira Kalish,
Global Director of Economics, Deloitte Research

North America

North America's economy is recovering quite nicely from the modest downturn experienced in the early part of this decade. Yet strong productivity growth, the result of massive investment in information technology, has rendered job growth anemic. The result is that consumers view the economy in a lesser light than it clearly deserves, and this affects their willingness to spend.

There are, however, several factors that bode poorly for further strong economic growth. First, the economy has already been negatively affected by the dramatic rise in the price of oil. Consumer spending in the US was clearly damaged in mid-2004 by the rise in gasoline prices. On the other hand, the price of oil when adjusted for inflation is still far lower than during the late 1970s — so the situation is not nearly as calamitous as some pundits suggest. In addition, energy consumption represents a smaller share of GDP than was the case in the 1970s. Consequently, the economy can absorb an oil price hike much more easily than in the past. That said, the transfer of resources to oil producing nations still has a negative impact on growth.

Second, the US economy still suffers a bit of a hangover from the roaring 1990s. During that period, consumers loaded up on debt and businesses invested furiously in IT and telecoms equipment. The result is a poor balance sheet for consumers and excess capacity for many businesses. For consumers, the decline and stagnation in financial asset prices since 2000 has hurt their perception of wealth. Robust housing prices have been a significant offsetting factor and have kept consumer spending growing. Yet as US interest rates rise, housing prices could be adversely affected, thereby spilling water on the retail recovery.

What about interest rates? The US Federal Reserve has already begun the process of raising short-term rates in order to quell inflationary pressures — the latter resulting in part from a declining dollar. Long-term rates have held reasonably steady. Yet this may change as investors respond to the implications of a further rapid drop in the value of the dollar. Convinced that the US external deficit is unsustainable and must be corrected by a drop in the dollar, investors have fled the dollar, seeking safe haven in Europe. Moreover, investors appear concerned that the US will not correct its fiscal deficit anytime soon, thereby creating more demand for loanable funds. A combination of the inflationary effects of a declining dollar and the impact of rising budget deficits on the price of government bonds implies rising long-term interest rates. In addition, the inflationary effects of a declining dollar could lead the Federal Reserve to accelerate monetary tightening. Thus, the outlook appears problematic.

In the US, various retailers have already experienced the negative consequences of rising oil prices. High-end retailers have done well, in part due to tax cuts aimed at wealthy households. Still, discounters continue to build their market share. Consumers are becoming trained to seek bargains, especially in a world in which the quality differences between low- and high-priced merchandise are not as great as in the past. Thus, many retail segments are now threatened by the likes of Wal-Mart. For consumers, lower prices enhance spending power. For the economy, more efficient retailers enhance productivity growth. Yet the transition to a more commoditized world of consumer distribution is creating sizable costs for the losers and leading many to seek government help. For big successful retailers, this latter fact could turn out to be a significant threat to future growth.

Latin America

Latin America is recovering from a period of stagnation that was strongly influenced by weakness in the US economy. For Brazil, Chile and Mexico, the recovery appears to have strength. As for Argentina, while its growth is now substantial and its inflation low, the country remains at risk due to an unsteady financial position. As a result, Argentina is not attracting the amount of foreign investment in its retail sector that characterized the 1990s.

Brazil's recovery is bolstered by the considerable depreciation of its currency which took place several years ago. The result is that the country's exports are priced very competitively. Moreover, Brazil has become increasingly attractive to global retailers interested in diversifying their global sourcing away from heavy dependence on China. For example, Wal-Mart has an effort under way to substantially boost its procurement from Brazil. In addition, the apparent stability of the Brazilian economy has encouraged continued foreign investment in the retail sector. Wal-Mart recently acquired some of the stores previously operated by Ahold, thus enhancing its position in the market.

Mexico, more so than its neighbors to the south, is highly dependent on the fortunes of the US economy. This is due to close geographic proximity as well as the impact of NAFTA. As such, Mexico is recovering nicely from the economic slowdown of recent years. Moreover, the elevated price of oil has boosted Mexico's export earnings.

On the other hand, the rise of China as an important center for producing goods for Western consumption has created a competitive challenge for Mexico. With the end of quotas on trade in apparel and textiles in 2005, Mexico stands to lose market share to such low-wage producers as China and India. In other product categories, the rise of China's exporting prowess has considerably offset the advantage Mexico gains from membership in NAFTA. The changing structure of the global economy will force businesses in Mexico to

PER CAPITA RETAIL SALES, 2003*

Japan	$9,309
Switzerland	$8,628
United States	$8,542
Norway	$7,949
France	$6,501
Denmark	$6,296
Ireland	$6,142
United Kingdom	$5,924
Belgium	$5,699
Austria	$5,465
Sweden	$5,289
New Zealand	$5,273
Netherlands	$5,256
Australia	$5,224
Finland	$5,159
Canada	$4,700
Spain	$4,613
Greece	$4,481
Italy	$4,415
Germany	$4,366
Israel	$3,761
Singapore	$3,638
Portugal	$3,463
Hong Kong	$3,230
South Korea	$2,989
Czech Republic	$2,135
Poland	$2,128
Mexico	$1,896
Hungary	$1,786
Saudi Arabia	$1,538
Chile	$1,415
Turkey	$1,398
South Africa	$1,229
Russia	$1,053
Malaysia	$1,024
Argentina	$1,009
Venezuela	$975
Brazil	$920
Thailand	$779
Indonesia	$471
Philippines	$448
Egypt	$440
China	$411
India	$267

*M+M Planet Retail

find new ways to be competitive, especially on the basis of something other than mere low cost.

Western Europe

Western Europe is a mixture of strong and weak economies. Unfortunately, the weakest are mostly the biggest, thus depriving the continent of an engine of growth. Instead, stimulus is coming from abroad, with strong import demand from the US and Asia helping increase growth from terrible to tolerable. Still, since the advent of the euro, the region has failed to experience a significant revival of economic growth, in part the result of a tight monetary policy on the part of the European Central Bank. The ECB faces a quandary. It could loosen policy (reduce short-term interest rates) in order to help weak and deflationary economies like Germany and France. Yet in so doing it might over-stimulate strong economies like Ireland, thus creating inflationary pressures. Consequently, partly in the interest of maintaining credibility with financial markets, the ECB has erred on the side of tightness. The result has been relatively high interest rates, a strong currency, retarded export growth, and overall economic stagnation.

In the absence of monetary stimulus, the only avenue for growth available to Europe's largest economies would be regulatory reform. Specifically, much of Europe suffers from labor and product market regulations which inhibit competition, drive up costs and retard productivity growth. In France and Germany, government leaders are now undertaking a valiant effort to implement reforms that would free up labor markets. The problem is that, although such reforms would have positive long-run consequences, those who would absorb the short-term costs are highly vocal in protecting their interests. Thus the likelihood of passing significant reforms is uncertain at best.

Another problem facing Europe is the weakness of the US dollar. As investors retreat from the dollar in the face of a massive US external deficit, and as Asian central banks start to diversify their reserve portfolios away from the dollar, the euro and the pound have experi-

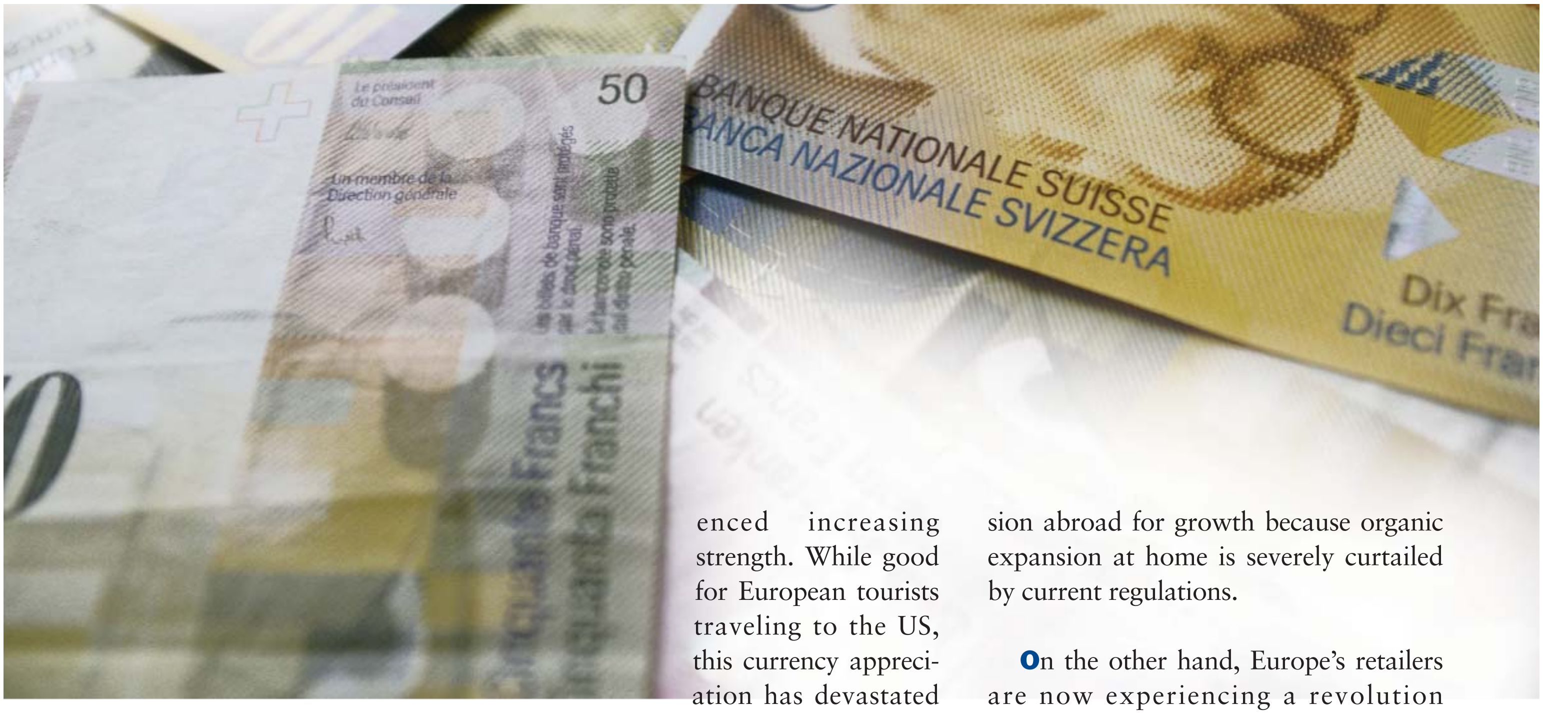
POPULATION

Country	Total 2002 Population (mil)*	Country	Population CAGR, 2002-2015F*	Country	% 2002 Population Ages 15-64*
Argentina	37	Argentina	1.2%	Argentina	63%
Australia	20	Australia	0.8%	Australia	67%
Austria	8	Austria	-0.1%	Austria	68%
Belgium	10	Belgium	0.1%	Belgium	66%
Brazil	175	Brazil	1.1%	Brazil	67%
Canada	31	Canada	0.5%	Canada	69%
Chile	16	Chile	1.0%	Chile	65%
China	1280	China	0.6%	China	69%
Czech Republic	10	Czech Republic	-0.2%	Czech Republic	70%
Denmark	5	Denmark	0.1%	Denmark	67%
Egypt	66	Egypt	1.5%	Egypt	62%
Finland	5	Finland	0.1%	Finland	67%
France	60	France	0.3%	France	65%
Germany	83	Germany	-0.2%	Germany	68%
Greece	11	Greece	0.3%	Greece	67%
Hong Kong	7	Hong Kong	0.2%	Hong Kong	72%
Hungary	10	Hungary	-0.4%	Hungary	69%
India	1049	India	1.2%	India	62%
Indonesia	212	Indonesia	1.1%	Indonesia	65%
Ireland	4	Ireland	0.8%	Ireland	67%
Israel	7	Israel	1.4%	Israel	63%
Italy	58	Italy	-0.3%	Italy	67%
Japan	127	Japan	-0.2%	Japan	68%
Malaysia	24	Malaysia	1.5%	Malaysia	62%
Mexico	101	Mexico	1.4%	Mexico	62%
Netherlands	16	Netherlands	0.3%	Netherlands	68%
New Zealand	3	New Zealand	0.8%	New Zealand	66%
Norway	5	Norway	0.3%	Norway	65%
Philippines	80	Philippines	1.6%	Philippines	60%
Poland	39	Poland	0.0%	Poland	69%
Portugal	10	Portugal	0.0%	Portugal	68%
Russia	144	Russia	-0.5%	Russia	70%
Saudi Arabia	22	Saudi Arabia	2.6%	Saudi Arabia	57%
Singapore	4	Singapore	1.1%	Singapore	71%
South Africa	45	South Africa	0.3%	South Africa	63%
South Korea	48	South Korea	0.4%	South Korea	72%
Spain	41	Spain	0.1%	Spain	68%
Sweden	9	Sweden	0.1%	Sweden	65%
Switzerland	7	Switzerland	0.2%	Switzerland	68%
Thailand	62	Thailand	0.6%	Thailand	70%
Turkey	70	Turkey	1.2%	Turkey	66%
United Kingdom	59	United Kingdom	0.0%	United Kingdom	66%
United States	288	United States	0.8%	United States	66%
Venezuela	25	Venezuela	1.4%	Venezuela	63%

* World Development Indicators, 2004, World Bank

CAGR=Compound Annual Growth Rate

F=Forecast



enced increasing strength. While good for European tourists traveling to the US, this currency appreciation has devastated exports, a key driver of economic growth. It has also created deflationary pressures. The solution should be a loosening of monetary policy, but the ECB has been noticeably remiss. Perhaps this will change if the ascent of the euro continues unabated.

While the above paragraphs suggest a continent in trouble, there are important pockets of economic success, not the least of which is the UK. With an independent monetary policy, the UK has been able to avoid the mistakes of the euro-zone. Moreover, a freer labor market combined with a robust financial sector have made the UK an attractive place to do business. Indeed, London's place as the de facto business and financial center of Europe has only been enhanced rather than hurt since the advent of the euro.

For the retail industry, Europe's relative economic weakness clearly hurts growth prospects. On the other hand, the reform agenda endorsed by the leaders of France and Germany, not to mention the EU leadership, would be beneficial to the further consolidation and modernization of European retailing. The continent's retail leaders would benefit from ending restrictions on store hours, store size and labor rules. Instead, many companies have looked to expansion abroad for growth because organic expansion at home is severely curtailed by current regulations.

On the other hand, Europe's retailers are now experiencing a revolution brought on, in part, by restrictions on store size. The growth of the hard discount sector has stunned and exasperated the continent's food retailers and is creating a new competitive challenge for non-food specialists. Moreover, the hard discounters threaten to undermine the power of supplier brands and push consumer distribution in Europe further in the direction of commoditization. For consumers, this will be good as it will reduce prices and enhance spending power. For the European economy, an efficiency revolution in consumer distribution could enhance productivity growth and lead to stronger economic growth. Still, those who lose in the battle will be sure to seek protection from government.

Central and Eastern Europe

There are two stories in this region. The first involves the countries of central Europe that recently joined the European Union. The second involves Russia. Let's begin with central Europe.

Ten countries, mostly from central Europe, joined the EU in May 2004. This gives their businesses complete access to the European market, allows their citizens to migrate freely to Western Europe, obligates their businesses and governments to conform to EU standards, and obligates them to meet monetary and fiscal policy guidelines in anticipation of joining the euro-zone. Two positive results will come from this. First, inward investment into these countries will accelerate in order to take advantage of access to a market of 400 million people. Second, governments will engage in fiscal probity thereby creating confidence and reducing interest rates.

Yet to truly benefit from EU membership, these countries will have to adopt regulatory policies that create a more open and flexible business environment. Countries such as Poland and Czech Republic have already carefully studied the inspiring experience of Ireland. In the 1970s, Ireland had a per capita income roughly 60 percent that of the EU. Today, Ireland has a per capita income roughly 120 percent that of the EU. This remarkable progression was due to a combination of joining the EU and adopting policies aimed at creating flexibility in the labor market. Not all EU entrants have seen these kinds of results. So it remains to be seen whether the new members will have illustrious experiences. Yet there is reason for optimism. The new member nations have high levels of education, strong foreign language skills and have a growing cadre of experienced managers.

As for retailing, these countries have already digested a vast quantity of investment from Western European retailers. The industry in Poland, Czech Republic and Hungary is dominated by the likes of Tesco, Carrefour, Metro, Auchan and others. With EU membership, the retailing industries of these countries will become further integrated into a pan-European supply chain.

Now let us turn to Russia. The country has seen strong economic growth recently, largely due to the strength of commodity prices. Russia, after all, remains a commodity-based economy. Absent high oil prices, Russia's economy might not look so attractive. Yet oil prices are high and investors are excited. Russian government bonds have been given investment grade, the result of fiscal probity and strong growth. Moreover, foreign investment in the retailing sector faces few formal obstacles. Strong economic growth has put money in consumers' pockets, thus stimulating interest on the part of foreign retailers and their suppliers.

Yet Russia has difficulties as well. The government's efforts to punish Yukos have caused investors to fear for the future protection of property rights. The economy's dependence on oil also bodes poorly for stable future growth, absent accelerated investment in non-energy industries. Finally, the recent spate of terrorism raises questions about the safety of foreign workers in Russia. Therefore, the outlook for Russia must be considered positive, but with substantial risks.

Asia

Asia is the scene of two dramatic and peaceful revolutions. One involves China's emergence as a global economic powerhouse. The other involves the emergence of India as a potential powerhouse.

First, let's consider China. The world's most populous nation is also one of the fastest growing economies in the world. In fact, its economy is growing far too fast, creating inflationary pressures at home and driving up the global prices of many commodities such as steel, aluminum, cement and oil. The doubling in the price of oil in the past two years can be blamed, in part, on China's economic growth. On the other hand, China's strength has actually acted as an engine of growth for the rest of Asia. Its

ECONOMIC INDICATORS

GDP 2003 US$ (Billions)*		Per Capita GDP 2003 US$*		GDP Avg. Annual Growth 2004-2008F*		Business Environment Rank 2004-2008	
United States	$10,988	Norway	$48,689	China	8.1%	Canada	1
Japan	$4,297	Switzerland	$43,604	India	7.2%	Netherlands	2
Germany	$2,411	Denmark	$39,359	Malaysia	5.4%	United States	3
United Kingdom	$1,796	Ireland	$38,734	Thailand	5.3%	Finland	4
France	$1,764	United States	$37,844	Singapore	5.2%	Singapore	5
Italy	$1,474	Japan	$33,774	South Korea	4.9%	Hong Kong	6
China	$1,447	Sweden	$33,628	Russia	4.8%	United Kingdom	7
Canada	$867	Netherlands	$31,691	Turkey	4.8%	Switzerland	8
Spain	$841	Austria	$31,103	Philippines	4.7%	Denmark	9
Mexico	$626	Finland	$30,990	Chile	4.5%	Ireland	10
South Korea	$605	United Kingdom	$29,774	Poland	4.5%	Sweden	11
India	$588	France	$29,329	Indonesia	4.4%	France	12
Netherlands	$514	Belgium	$29,302	Venezuela	4.4%	Germany	13
Australia	$505	Germany	$29,293	Hong Kong	4.3%	Belgium	14
Brazil	$492	Canada	$27,408	Ireland	4.3%	New Zealand	15
Russia	$434	Italy	$25,418	Argentina	4.2%	Australia	16
Switzerland	$320	Australia	$25,375	Czech Republic	4.0%	Norway	17
Belgium	$303	Hong Kong	$22,729	Hungary	3.8%	Chile	19
Sweden	$302	Singapore	$21,795	Egypt	3.7%	Austria	20
Austria	$254	Spain	$20,616	Israel	3.7%	Spain	21
Turkey	$240	New Zealand	$19,258	Australia	3.4%	Portugal	22
Norway	$221	Israel	$16,308	Greece	3.3%	South Korea	23
Denmark	$212	Greece	$16,138	Brazil	3.2%	Japan	24
Poland	$210	Portugal	$14,251	New Zealand	3.2%	Israel	25
Saudi Arabia	$208	South Korea	$12,624	United States	3.2%	Italy	26
Indonesia	$208	Saudi Arabia	$8,585	Canada	3.1%	Czech Republic	27
Greece	$172	Czech Republic	$8,336	Mexico	3.0%	Poland	28
Finland	$162	Hungary	$8,233	South Africa	3.0%	Hungary	29
South Africa	$160	Mexico	$6,061	Finland	2.8%	Malaysia	30
Hong Kong	$157	Poland	$5,493	Spain	2.6%	Thailand	31
Ireland	$153	Chile	$4,737	Norway	2.5%	Greece	32
Portugal	$148	Malaysia	$4,127	Saudi Arabia	2.5%	Mexico	33
Thailand	$143	South Africa	$3,503	Sweden	2.5%	Brazil	35
Argentina	$130	Argentina	$3,392	United Kingdom	2.3%	Philippines	36
Israel	$109	Turkey	$3,361	Austria	2.2%	South Africa	37
Malaysia	$103	Venezuela	$3,338	Denmark	2.2%	China	38
Singapore	$91	Russia	$2,997	Portugal	2.2%	India	40
Venezuela	$85	Brazil	$2,782	Belgium	2.1%	Argentina	42
Czech Republic	$85	Thailand	$2,237	Japan	2.1%	Turkey	44
Hungary	$83	China	$1,117	France	2.0%	Saudi Arabia	45
Philippines	$79	Egypt	$990	Germany	1.9%	Russia	47
New Zealand	$77	Indonesia	$964	Netherlands	1.9%	Indonesia	49
Chile	$72	Philippines	$938	Switzerland	1.8%	Egypt	53
Egypt	$71	India	$554	Italy	1.6%	Venezuela	57
*Global Outlook, August 2004, Economist Intelligence Unit		*Global Outlook, August 2004, Economist Intelligence Unit		*Global Outlook, August 2004, Economist Intelligence Unit F=Forecast		*Global Outlook, August 2004, Economist Intelligence Unit	

propensity to import has stimulated an export-led recovery in Japan and has benefited commodity exporters in Southeast Asia. In addition, China's policy of maintaining a fixed exchange rate, by supporting the US dollar, has shifted pressure to reduce the US trade deficit onto the dollar-euro exchange. The result has been an extraordinary rise in the value of the euro, thereby harming European exports. Clearly, China has emerged as a critical player in the global economy, and not simply the "world's factory."

China's government has undertaken efforts to rein in growth lest inflation get out of control. It has placed restrictions on credit, investments by state-owned companies and construction projects. In addition, it has recently raised interest rates for the first time in nine years. Yet its effort to maintain a fixed exchange rate has led to a huge increase in the money supply, thereby stimulating bank lending to inefficient state-owned enterprises. The result is that profitable private companies are starved of credit. Unless China reforms its exchange rate policy, it will have difficulty in reducing growth and inflation. Moreover, efforts to restrict growth through credit controls will render greater inefficiency.

Going forward, it is likely that China will revalue its currency in the near future. For retailers, this will mean lower import prices and greater consumer spending power as China shifts its growth from export orientation toward domestic demand. Indeed, the retail sector in China looks extremely promising and many foreign investments are pouring in.

Turning to India, this nation of a billion people has lately become the "next big thing" in the global economy. One reason is the spectacular economic growth of India, in part the result of large foreign investments in its service sector. India's abundance of cheap, skilled, English-speaking workers has made the country a destination for call centers, software writing and other professional services. India's economic reforms in the 1990s, which continue today, set the stage for further economic breakthroughs. It is now expected that India will become a significant exporter of manufactured goods, much like China.

If India's strong growth continues, the number of middle-class consumers will rise rapidly, thereby stimulating new foreign investments into the retailing sector. On the other hand, India still has onerous regulations affecting foreign investment in retailing. In addition, the infrastructure is not yet adequate for supporting large-scale modern retailing enterprises. Clearly, there is a long way to go. Still, for global retailers, India holds much promise.

While Asia is experiencing these revolutions in China and India, the continent's other economic power continues to exist under the radar screen. Japan remains a huge consumer powerhouse. Its economy has finally started to pick up, largely the result of strong exports to China. The government is boldly attempting to reform the financial sector by privatizing the postal savings system. Once complete, this reform will allow for greater competition to handle the massive savings of Japan's frugal households. Such competition could lead to higher returns and a reduced need to save. Indeed, if reforms go as planned, Japan could wind up with accelerating retail spending. Yet this will take considerable time.

In the interim, the retailing industry remains problematic. Many large retailers continue to post poor performances and foreign retailers are showing frustration. On the other hand, rumors of further expansion in Japan by Wal-Mart, probably through acquisition, fuel expectations of improvements in the efficiency of retailing.

Top Ten Issues Facing Global Retailers

1 The Global Economy Shifts Gears

The world's leading retailers face a global economic environment that is about to shift gears. Until now, the US economy has been the engine of growth for the rest of the world. By running a large and growing current account deficit, the US has essentially fueled the rest of the world's output to satisfy its own growing consumption. Indeed, retail spending growth in the US remained relatively strong, even in the midst of an economic slowdown. In 2004, spending continued to strengthen, with the full year expected to be the best for retailers since 1999.

Yet the global economy has reached a point at which it is clear that large deficits cannot go on. In order for the US to run large external deficits, the rest of the world must be comfortable in lending a large part of its savings to the US. Clearly this is no longer the case, as evidenced by the sharp drop in the value of the dollar in recent years. Therefore, in the coming years the US current account deficit will have to shrink. And as it does, growth in demand will have to shift from the US to elsewhere. In fact, this has already begun. Witness the massive increase in demand in China, rendering the Middle Kingdom an engine of growth for the rest of Asia.

The process of shifting demand from the US to the rest of the world will necessarily entail a further decline in the value of the dollar, especially versus Asian currencies. This means that US inflationary pressures will accelerate, thereby leading to higher interest rates in the US. In Europe, it will mean a lower inflation and lower interest rate environment. It will also mean a shift in the sources of European growth. Rather than rely on exports, Europe will become more dependent on the consumer; likewise for Asia.

For the world's leading retailers, these changes will mean that faster retail sales growth opportunities will exist outside the US. Yet US retail assets, cheaper by virtue of a lower dollar, will become attractive acquisition targets for non-US retailers and other investors.

The end of trade quotas on textiles and apparel in early 2005 will also likely have important implications for various countries. On the plus side, the elimination of quotas will mean more efficient sourcing possibilities for retailers and lower prices or higher quality goods for consumers. On the negative side, however, various countries will likely experience declining production, which may impact local economies. A recent study by the World Trade Organization predicted that China and India would take 71 percent of the US apparel market. As a result, suppliers such as Mexico and

Caribbean Basin countries would experience sharp declines, according to the report. Countries such as Bangladesh, Mauritius and Indonesia have also expressed concerns about the likely shifts in apparel production.

Despite some regional imbalances, the global economy remains on track to record relatively healthy levels of growth over the next year or more. According to the Economist Intelligence Unit, worldwide GDP growth was estimated at 3.9 percent in 2003 and 4.9 percent in 2004. Growth rates for the next several years are expected to remain at or above 4 percent, which would continue to be an improvement over the 2.3 percent meager gain in 2001 and the 2.8 percent increase in 2002. A major concern is centered around high oil prices, which will likely continue to weigh on many consumers and businesses, although it will positively impact oil exporters.

2

Marketing to One in a World of Six Billion

It's the epitome of the needle-in-a-haystack dilemma. With more than six billion global consumers, the complex challenge for retailers today is to efficiently locate, understand and serve those individuals who are most likely to purchase their products on an ongoing basis.

Most retailers start out using demographics to better understand their current customers. Grouping or segmenting customers by attributes such as gender, region, generation and ethnic background helps retailers in many ways. Additional information such as home ownership or presence of children can also help retailers gain insight into customer behavior. While demographic information frequently needs to be supplemented with behavioral and attitudinal information, the basic demographic segmentation provides an important cornerstone on which to build a customer profile.

Demographic segmentation, in fact, is a fundamental marketing tool. By parsing their current customer base, retailers come to better understand why certain consumers made the decision to choose them over some other retailer. The information can then be used for strategic business planning, including tailoring and honing merchandise assortments, setting up restaurant menus and providing the appropriate service offerings.

The information also is important to the complex task of developing effective customer relationship marketing (CRM) strategies. Mass marketing is no longer an effective way of reaching customers. Today one-to-one or one-to-some marketing allows for targeted marketing messages. As the industry's marketing spend continues to rise, it becomes all the more important to effectively target the correct demographic sectors that are most likely to be interested in the retailer's merchandise. Additionally, personalized marketing efforts help build lasting, more profitable relationships with customers.

Demographic information also is helping retailers work closer with vendors. Increasingly retailers are sharing this important transaction information, thereby developing collaborative marketing partnerships with suppliers. Both sides benefit as a result.

An understanding of demographic trends also is critical for helping retailers find the appropriate new customers. This is particularly true for companies looking to expand beyond their home base. Working off of the knowledge of who their current customers are, retailers can then seek out like-minded demographic segments around the globe. At a more granular level, demographic data plays a key role in site selection, either at home or abroad.

While overall demographic trends are slow to change, there remain important shifts that retailers around the world should be monitoring. For examples, comparisons across countries show varying growth rates in the different age-specific groups. India's population is very young; nearly 44 percent of its inhabitants currently are below 20 years of age. In contrast, only 19 percent of Italy's consumers are under 20 years old, while 18 percent are above 65 years of age. This latter percentage is one of the highest in the world. These two countries highlight the growth differences between many low-income and high-income countries. By 2020, an estimated 35 percent of the population in the less developed countries will not have experienced their 20th birthday. In the more developed countries, the under-20 age groups will comprise only 22 percent of the total.

Declining birth rates and longer life expectancies are dramatically impacting population growth trends in the developed countries. In the US, the share of the population over age 65 will increase to 21 percent by 2050 from 12 percent in 2000. Throughout Western economies, retailing is benefiting from the growth in nostalgia-related products. Customers are paying for memories from their past.

In Japan, traditionally the land of savers, those 60 years of age and older reportedly have about $225,000 set aside for their retirement days. This figure, which is far above the average savings of US baby-boomers, is causing a sharp increase in marketing to Japanese seniors. Increasingly, companies are using older models and entertainment stars to market to these "silver spenders."

At the other end of the age spectrum, young adult shoppers often are attracted to a very different set of shopping venues than their parents were. Their preference for Internet shopping is an obvious example. Also, traditional supermarkets today are busy figuring out ways to attract younger consumers who instead are shopping at natural food stores and supercenters.

An understanding of the shifting demographic trends helps retailers better plan for their workforce costs. For example, one US trend that has implications for the retail workforce is the changing values among younger Generations X and Y -- those in their late teens to mid-30s. These workers are placing less emphasis on careers and more on family. They therefore are not as committed to their employers as many older generations. Layered on top of this phenomenon is the large portion of baby-boomers who will be retiring between 2008 and 2030. Combined, these demographic shifts suggest that companies might want to begin planning for alternative workplace rules such as flexible schedules and added time off to help retain valuable employees.

Additionally, the aging population has implications for health care and health insurance costs for employers. Currently in the US, health-care expenditures for a 65-year-old are four times those for a 40-year-old. As Western populations continue to age, these rising health care costs have implications for both governments and businesses.

3 Empowered Consumers Take to the Internet

"Where do you want to go today?" In the late 1990s it was the question asked to millions of computer users when they launched Microsoft's Internet Explorer browser. Less than a decade later, consumers around the globe have come to appreciate the near-limitless number of retail destinations available to them through the click of a mouse. The personal empowerment that the Internet has bestowed on consumers has forever changed the retail world.

Currently, there are an estimated 300 million active Internet users in the major developed countries and possibly as many as 600 million users globally. Among European Internet consumers, 42 percent reportedly are online every single day. Additionally, Internet usage is quickly expanding in the developing world. China, for example, already has nearly 100 million Internet users.

While e-commerce first took off in the United States, other areas of the world are quickly catching up. By one estimate, online sales in Europe for the 2004 holiday season were expected to outpace those in the United States. Forrester Research reported in late 2004 that year-end holiday sales in Western Europe would likely reach €13 billion, compared with €10 billion in the US. Sales in the UK and Germany were expected to represent more than 60 percent of the total, although France and Spain were likely to experience some of the strongest increases.

The growing accessibility of broadband is boosting online shopping. About 30 percent of US Internet households now have broadband connections. E-commerce is also being supported by growth in mobile phones, wireless devices, rich content and multimedia messaging services.

Online shopping is also being facilitated by the auction sites. The value of goods sold on eBay, the largest auction site, reportedly reached $24 billion in 2003. That figure equates to the combined sales of the bottom 10 retailers on this year's list of the top 250 global retailers.

Today, Internet-savvy consumers understand that they increasingly have the power to shop and buy on their own terms. One result of this growing trend is that consumers have a diminished sense of allegiance to brand, store and the overall shopping experience. A recent Deloitte survey found that nearly one-third of US consumers said they had an emotional connection to fewer "favorite" retailers than they did five years ago.

The Internet both enhances and competes with the brick experience. One of the ways it enhances it is by allowing a retailer's full inventory to be available online when it can't always be available in the stores. It also facilitates the multichannel experience for shoppers, allowing them to order, buy and return in the most convenient venue.

The Internet, however, also competes heavily with the brick-and-mortar experience. Many consumers today excel in their ability to comparison shop on the Web. This phenomenon has created challenges for many retail groups. One example is US drug chains who are experiencing slower prescription drug sales as a result of consumers buying products in Canada or Mexico.

Empowered consumers not only hunt around for the best prices and deals, they perform an incredible amount of product research online. One in five Sears customers reportedly buys in the store after researching the product online. Today's Internet-enabled shopper is a very informed shopper.

Not only are shoppers researching a particular retailer's own merchandising, they are comparing and contrasting across retailers. Retailers, as a result, have to find ways to differentiate themselves, build stronger emotional connections with their customers and provide a more compelling shopping experience. Many are responding to the challenge. In an effort to develop closer relationships with its customers, Tesco now has the ability to create highly targeted promotions triggered by a shopper's unique search query at its website. It is the largest online grocer in the world, with over 70,000 orders per week, and it makes money at it. Neiman Marcus has deals with David Yurman, jewelry designer, and Salvatore Ferragamo, designer and manufacturer of shoes and fashion accessories, to develop co-branded shopping websites.

Retailers generally are utilizing customer relationship management (CRM) strategies to create more satisfying shopping experiences. Fully-inventoried stores, optimized merchandise assortments, helpful website, opt-in email announcements, multichannel shopping ease, smoother checkout and supportive sales staff provide shoppers with a reason to shop a particular retailer. These attributes become particularly important in today's

competitive retail world where transparent prices prevail. The more successful retailers are building a competitive advantage that keeps customers satisfied. Key to this success, however, is the sharing of relevant data metrics with suppliers to keep inventories, and thus profitability, at optimum levels.

4

The Risk Management Mandate

Looking back, the "irrational exuberance" of the late 1990s can be seen as the period that helped inspire a host of questionable practices in the corporate world. Early into the new century, numerous reports of accounting irregularities and corporate implosions led to the enactment of the Sarbanes-Oxley Act of 2002 in the US to help restore public trust.

In Europe, the introduction of the International Financial Reporting Standards (IRFS) on January 1, 2005 is similarly changing the way that public companies operate. For retailers, these standards, in particular, are impacting revenue recognition and accounting for vendor rebates and allowances. The transition to the new method of reporting is proving to be very complex and is said to be straining many companies' IT staffs.

These laws and others are viewed as improving corporate governance and helping to promote social, environmental and ethical responsibility. Governments are also stepping up corporate scrutiny and regulatory compliance in areas such as anti-terrorism, age/race/sex discrimination, and health and safety.

Increasingly, private citizens and activist groups are also monitoring corporate decisions and speaking out against those they deem to be objectionable or inequitable. In the US, several communities and organizations are fighting against the expansion of big box retailing. An environmental group in the UK is said to be pressing retailers to boycott certain imported wood products as a way of helping to preserve tropical forests. Kingfisher reportedly was one of the first UK retailers to reject the sale of tropical hardwoods.

Retailers and manufacturers today are particularly aware of the implications of human rights issues at their overseas factories. The International Association of Department Stores recently reaffirmed its campaign for global cooperation on ethical sourcing. Increasingly, retailers are monitoring the factories that deliver products to them. In 2004, Gap Inc. released a comprehensive report on its monitoring and enforcement of labor standards among its suppliers. Some retailers are suggesting creating an organization to serve as the central repository of this information, collected through a global ethical sourcing database.

Increased corporate responsibility is also seen from the supermarkets in the US and Europe that are promoting healthier eating alternatives or creating organic private label foods. These initiatives are being undertaken partly in response to healthy eating concerns from the public. Similarly, jewelers are working to prevent the sale of conflict diamonds -- those mined from or traded via countries involved in conflicts where profits from diamonds are used to sustain war.

As a result of the heightened scrutiny of many businesses today, many organizations are seeking a more structured approach to managing enterprise risk and regulatory compliance. They are looking to minimize exposure to criminal liability and enhance public perceptions. Companies are integrating risk management frameworks throughout the enterprise to help improve operational and financial integrity. Many retailers are creating senior management positions such as Kingfisher's Director of Corporate and Social Responsibility. Corporate responsibility is becoming central to the core business strategy.

Enterprise risk management practices

are enabling the organization to assess risks on a continuous basis. The process helps identify the resources needed to overcome or mitigate risk and to provide reasonable assurance about the achievability of the organization's objectives. Retailers are approaching the exercise as an opportunity to improve their brand's success in the global marketplace.

Organizations are starting to fully understand that strong ethics, good governance and reliable reporting benefit the company in the long run. A reassured investment climate often leads to enhanced shareholder value for the retailer.

In the end, a company is judged by its financial success. And today that success comes from effective execution and management of risk. Corporate cultures that seek to minimize risk and reward accountability are often behind today's success stories.

Strengthening the Supply Chain Links

Over the last decade there has been a fundamental shift in the way that products move from manufacturer to market. Collaborative efforts between suppliers and retailers have dramatically reduced the time that it takes for product to be placed on the shelves. Technology has been the major enabler in this supply chain transformation.

Newer radio frequency identification (RFID) solutions are beginning to dramatically improve inventory management techniques. The technology marries microchips with radio antennas to foster easier tracking of inventory. The declining costs and enhanced capabilities of this technology have spurred major retailers such as Germany's Metro, the UK's Tesco and Wal-Mart in the US to request their suppliers to equip their pallets and cases with RFID tags. Some retailers have gone beyond Wal-Mart's mandate and are closely integrating the RFID technology into their store operations. By 2006, RFID capabilities are expected to be widely used by retailers, distributors and suppliers.

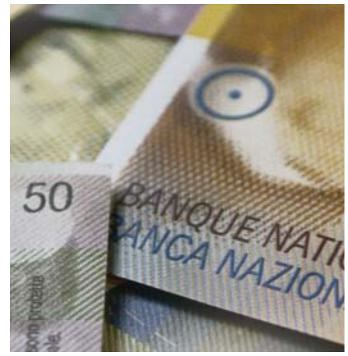
Long lead times are becoming a thing of the past. Fashion-apparel supply chains are just one of many retail segments that are becoming increasingly geared toward a high-speed, frequent-delivery model employing RFID and collaborative planning. The technology can be particularly beneficial to "fast fashion" retailers. Zara, a Spanish specialty-apparel retailer owned by Inditex Group, can quickly introduce 12,000 new stock items per year, due, in part, to its collaborative, efficient supply chain.

RFID improvements will continue to shorten the time to market. A recent Harvard Business Review article noted that retailers such as H&M, Mango and Zara have become Europe's most profitable apparel brands by building agility into every link of their supply chains. In addition to agility, the article noted that supply chains that are also adaptable and can align the interests of all the firms in the supply network provide their companies with a sustainable competitive advantage.

European Union traceability legislation comes into force in January 2005. According to the regulation, "the traceability of food, feed, food-producing animals and any other substance intended to be, or expected to be, incorporated into a food or feed shall be established at all stages of production, processing and distribution." To address the issue of food traceability, retailers and packaged goods firms will be using RFID to meet traceability compliance deadlines.

RFID and its associated EPC tags, or electronic product codes, are creating revolutionary opportunities for the retail industry. EPC global standards are being developed that will create uniform standards across countries.

Technology is also an important enabler for companies that are sourcing from overseas, particularly China. RFID



and other programs that speed up the distribution process will benefit the growing number of retailers that look to distant low-cost countries to supply them with product.

Widespread adoption of RFID reportedly could save companies tens of billions of dollars annually not just in pilferage, but also in improved supply chain efficiencies such as real-time tracking, safety monitoring and overall warehouse operations. On-time deliveries, inventory per store and even cost per piece are some of the metrics that retailers and suppliers will closely measure in the RFID-enabled world. Ultimately, improved supply chain management leads to increases in sales volumes, which improves profitability for vendors and retailers.

The Wireless Data Research Group predicts that the RFID market for hardware, software and services will increase by a 23 percent compound annual growth rate worldwide from more than $1 billion in 2003 to about $3 billion in 2007. According to research firm IDC, RFID spending for the US retail supply chain will grow from $91.5 million in 2003 to nearly $1.3 billion in 2008.

Other technologies are also contributing to supply chain improvements. For example, AutoZone recently launched a collaborative transportation management program in order to improve the flow of goods through its logistics network. In particular, average transit time decreased from one week to 1.5 days. The company is also initiating a voice-based logistics solution to maximize workforce effectiveness across many areas of warehousing operations.

Retailers today are demanding rapid product replacements from vendors based on real-time sales data. In this type of operating environment, it is critical that retailers and vendors work closely together by sharing information and processes. The benefits of RFID and other supply chain innovations will only be obtained after data synchronization processes have been put in place. It therefore is important for retailers and suppliers to develop standard data formats and information-exchange protocols.

The overload of detailed transactional data, however, remains problematic for many retailers and suppliers. The number of different data types within an organization adds to the complexity of the issue. Companies, however, are improving their data warehousing infrastructures to address these business intelligence imperatives.

Yet for all the current spending on innovative processes, research has shown that the majority of retailers' IT plans are not linked to business plans or tax strategies, even though the greatest return-on-investment gains come from doing so. This integration is critical if retailers wish to truly maximize the operational benefits of these technologies.

6

Rapid Industry Change

The constant state of flux in the retail world keeps many retailers feverishly planning to stay ahead of the game. By its nature, the industry is driven by newness, excitement and variability. It's what keeps customers excited and willing to buy. However, because of the fast pace of change, it doesn't take long for a retailer to fall behind. And when this happens, it's not always easy to regain momentum. Consumers are fickle. There's very little allegiance. Shoppers quickly are engaged by the latest sensation, fad or fashion. To stay on top, retailers need to be mindful of many aspects of the business -- the competition, consumers, technology and their own operations.

Take technology. The retail industry has been one of the major purchasers of technology over the last decade. According to IBM, the US retail industry now spends about 2.1 percent of its sales a year on technology, up from 1.8 percent in 2001. In-store operations have become much more customer-centric. Improved supply chains now allow for rapid inventory replenishment. Real-time data exchanges between supplier and retail keep both sides instantly aware of purchase patterns and better prepared to respond to change.

Technological gains will continue to increase dramatically over the next decade. As RFID implementation moves from the pallet to the product, stock outages will drop significantly. In-store productivity will be greatly enhanced.

As mentioned earlier, technology is contributing to the rise in "fast fashion." Several retailers in Europe excel in their ability to design, manufacture and stock the latest in disposable chic fashions that change almost weekly. Technology also allows these retailers to copy the latest designs from the haute couture world and sell them at a fraction of the price.

The world of e-tailing has undergone dramatic transformation in just five short years. Retail websites are much improved over the slow, user-unfriendly sites of the early years that had only limited product assortments. In fact, today many retailers make available on their Internet sites the many sizes, color and product variations that are too numerous to keep stocked in their stores. Thus, the websites often are used by their hard-to-fit clientele. This expansive inventory selection is creating strong loyalty among a segment of shoppers and helping to improve profitability for retailers.

Today, many retailers that are experiencing only low-single-digit growth in their stores are benefiting from strong double-digit growth from their e-commerce efforts. Quarterly online sales in the US are increasing roughly 25 percent on a year-over-year basis for the last several years, according to government estimates. The trend is not expected to slow in the near future.

Store-based retailing is also undergoing a score of changes. Channel blurring is particularly evident in the US, where products can now be purchased in numerous venues. The trend is most evident in commodity-type products such as food and office supplies. It also is impacting the sale of gift cards. Many establishments today sell gift cards from other retailers. The one-stop-shopping convenience is attractive to many consumers, and as a result, retailers are continually adjusting their product lines.

As the retail world continues to evolve, certain store venues are experiencing difficulty. In Europe, hypermarkets are experiencing increased competition from smaller formats such as supermarkets and even the hard discounters. In the US, music stores are experiencing declining sales as consumers download songs from the Internet. The digital music market is one of the fastest growing segments in retailing today.

Retailers are also facing new competition from manufacturers opening up retail venues. Sony is said to be thinking of opening stores in the US. Less threatening is the trend from various upscale home electronics and appliance manufacturers opening "try me" stores. While the products generally are not available for purchase, they can be viewed and compared for their attributes.

The emergence of China as an economic powerhouse is also contributing to the rapid pace of change in retailing. China is fast becoming the manufacturer of choice, and the trend will likely strengthen as it continues to industrialize. The country's rapid pace of income growth is also leading to an influx of foreign retailers.

Relative to consumers, they remain fickle and at times unfathomable to retailers. Ongoing changes in eating preferences, fads and lifestyles keep retailers on their toes. Today's preference for extreme value is behind the growth in dollar and 100-yen stores in the US and Japan. Several retailers are also catering to the trend by offering extreme-value departments in their stores.

The latest concept in rapid-fire retailing in the US is the pop-up store. Retailers are setting up these temporary

sites to accommodate periods of high seasonal demand.

Successful retailers are adapting and evolving their strategies to compete in this rapidly changing retail landscape. While traditional retail concepts may be declining, the fundamentals of the industry remain. Retailers therefore need to be progressive, while staying focused on the brand and what it truly represents to their core customers.

7 Differentiate. Differentiate. Differentiate.

The most important mantra for retailers is no longer location, location, location. In a retail world that's overstored, commoditized, price-sensitized, cross-shopped and ultra-competitive, differentiation becomes the important driver of success in the marketplace.

While retailing was never solely about price, it's even less true today. Competing on price alone is a tough road to travel. Another retailer will eventually find a way to offer even lower prices. Retailers that do not create loyalty through a strong branding effort often find that consumers quickly migrate to stores that offer a more attractive value proposition.

"Value" to consumers is many things. It includes attributes that often are hard to quantify. Consumers often want the retail experience to encompass some or all of the following: innovation, entertainment, service offerings, uniqueness, individuality, personal identity and life enhancement. For many consumers, retailing today isn't about the product, it's about the experience.

Emotional connections are what many individuals crave today. A recent American Demographics article noted that brands aren't simply in the culture, they are the culture. It described how brands currently fulfill an important function in society: they have become the tools with which people construct their personal and social identities.

Luxury retailers understand these consumer preferences better than most other segments. Additionally, the self-indulgent need of consumers helps explain the explosion in "masstige" retailing. Middle-class consumers are trading up, paying a premium for certain luxury items, while compensating by trading down in other areas. Prestige for the masses is creating numerous opportunities for retailers. Importantly, companies that cater to luxury and masstige markets have some of the most loyal consumers in all of retail because of the brand connection.

Successful retail differentiation is really all about branding. Building a powerful brand involves defining a brand strategy first, then aligning it with the company's goals and practices throughout the organization. Effective brand creation has everything to do with relationship building, consistency and trust.

Good branding also comes from listening to consumers. Data mining existing customers' purchase habits provides valuable information to the branding effort. Customer relationship management (CRM) processes are also important in keeping the shopper engaged. Technology, as a result, has become an important enabler in retailers' goals toward differentiation.

Strong branding creates a more compelling, consistent experience for consumers. It involves the impeccable execution of in-store initiatives. It's keeping customers engaged through loyalty cards and appropriate service offerings. For some, it's extending the brand beyond their own store environment -- toy retailers setting up shop in supermarkets; food service companies moving into banks. It's offering private label products that are the envy of the national brands. It's teaming with the latest stars in the entertainment or fashion worlds to create excitement among shoppers. It's customizing the product. Most simply, it's satisfying an unmet need in the marketplace.

Once a brand's reputation has been established, it is important that it be maintained. The retail world is littered with bankrupt companies who were unable or willing to keep their brand promise with their shoppers.

At the end of the day, a differentiated, strong brand keeps consumers focused in a world of ever-increasing distractions. The top-of-mind recall that is created by successful branding improves the customer experience and ultimately drives the retailer's profitability.

8

Providing a Preferred Customer Experience

The proliferation of retail options today means that everyone is battling for a share of the consumer's wallet. Customer-facing and supply chain business processes are key to helping retailers provide a preferred customer experience. The traditional product-centric way of thinking has been supplanted by the interest in best practices around customer centricity.

Retailers need to deliver products and services based on customer expectations. Technology can be a great facilitator in this regard, but it's not the only means by which the shopping experience can be enhanced. Simply providing friendly, helpful service often is one of the best methods of creating allegiance from shoppers. Retailers are also learning to attract and retain customers through relationship programs, direct marketing, loyalty schemes and customer magazines.

A preferred customer experience can be deployed on numerous levels. Customer-centric retailing involves demand management — maximizing merchandise options. This process, in part, is helpful for more accurately planning of seasonal sales periods. It also allows for better targeted marketing campaigns. By necessity, the experience entails having a responsive supply chain. It requires presenting a seamless brand experience to consumers across all channels, from the Web to the store. And, importantly, it should involve the ongoing, rigorous analysis of customer purchase patterns.

Enhanced customer segmentation and profiling are helping retailers achieve their goals. Technology solutions in use are enabling retailers to dissect customer buying data in ways that enhance customer awareness, product availability and customer-relevant promotions. This information allows retailers to make better strategic decisions and to generate more sales, while efficiently tracing results throughout the process.

Data mining is allowing retailers to discover new trends and patterns of behavior that previously went unnoticed. As a result, they can respond faster to what customers are looking for. Tesco, Europe's second-largest retailer, actively uses information from its Clubcard loyalty program to spot trends and concerns among its shoppers. The card reportedly has led to a steady transformation of its marketing efforts. The program has also enabled Tesco to increase its share in non-food items. Insights from the program have dramatically improved the company's bottom line.

Metro in Germany was one of the first retailers to tout the benefits of customer-friendly, technology-enhanced retailing. More recently, Food Lion has unveiled a new store concept in North Carolina that also utilizes customer-centric technologies. The store was created after two years of research and analysis of changing consumer preferences. Available technologies include personal scanners, interactive kiosks and information stations that provide a map with a dot identifying a product's location in the store. Wireless produce scales print out bar-coded tickets that customers can then scan.

E-tailers were slow to catch on to the consumer-centric concept, but recently they have been excelling at it. Drugstore.com customers can personalize their shopping experiences with shopping lists, e-mail reminders for replenish-

ing products and e-mail access to pharmacists and beauty experts for questions. Amazon openly expresses its desire to be the Earth's most customer-centric company "where customers can find and discover anything they might want to buy online." Online customer satisfaction is particularly important to web-based retailers because shoppers can quickly move from one site to the next with a click of the mouse.

A preferred customer experience means becoming more relevant to key shoppers, thereby turning them into long-term loyal customers. Visionary retailers therefore are aligning processes and technologies around the customer. By using business intelligence software to stay connected with their shoppers, offering a rewarding shopping experience and consistently exceeding the expectations of their customers, these retailers are gaining a comparative advantage.

9

Strategic Execution

Best-in-class retailing encompasses myriad operational benchmarks. In-store execution is imperative to the process, but so are back-office efficiencies. Successful retailers are incorporating strategic business plans into their overall operational goals to maximize shareholder value. Importantly, they are also executing effectively against those plans.

Once the retailer's strategic plans have been detailed, the company needs to be sure that the right metrics are being deployed to accomplish the stated goals and that the results are measured accurately. While there are many goals that can and should be aided by technology investments, IT alone is generally not sufficient to bring about the desired results. Processes and people are also important. In particular, strong sponsorship from executives helps ensure success, as does support and involvement from all staff levels. Management also should employ metrics that address accountability against the strategic goals of the firm. Additionally, cross-department projects need to be managed, particularly those between the marketing and IT groups. In a world where the consumer is in control, strategic execution across the organization's many levels becomes the standard for success.

Strategic execution can be difficult for retailers that source from and employ workers in multiple countries. It involves setting up global enterprises while remaining cognizant of local preferences. To improve execution, these companies are integrating workable global strategies that deploy global systems and provide all the tools and information necessary to execute effectively across geographic boundaries.

The benefits of strategic planning and execution include not only a more satisfied customer who drives stronger growth in sales, it also produces significant cost savings. Inventories, pricing decisions and human capital are three areas where strategic planning and execution provide large payoffs for retailers. Supply chain execution, for example, has become critical to improved business performance. Companies are re-examining their approach to fulfillment and are finding more cost-effective ways to move products onto the shelves. A seamlessly integrated vendor/warehouse/transportation process becomes the benchmark for superior supply chain performance.

Optimized merchandise assortment is another strategic goal that drives enhanced results for retailers. Companies are modifying their merchandising systems to enable them to send unique assortments of sizes and products to particular stores. Pricing optimization and markdown management tools are reducing the number and extent of markdowns. By matching supply with demand, gross margins are improved.

Investments in human capital projects are increasingly being viewed as important for retailers. Optimizing the value of an organization's most critical asset — its people — has far-reaching implications for the company in terms of worker satisfaction, productivity and customer interface. Employee-performance management, succession planning, compensation, scheduling and labor management, and compliance with regulations around overtime, employee conduct and work conditions are areas where successful goal-setting and execution provide long-lasting rewards.

The strategic planning process encompasses creating and maintaining a set of goals, along with ongoing review and management. Retailers today understand that better planning, better management and better execution improve business value for years into the future. If strategic initiatives have not been put in place, a retailer can quickly lose focus. The cost of reversing years of underinvestment and inattention to detail can be insurmountable.

10

Need to Go Global

The globalization of retailing has been imminent for the past 15 years. It still is, but perhaps this time is different. Actually, the industry is today far more global than in the past. Yet it is nowhere near as global as many consumer product segments, nor as global as many pundits once expected. Particularly disappointing to some has been the slow movement of US retailers into the global arena. Many appear to have found sufficiently strong growth opportunities at home. The vastness of the US market combined with a relatively benign regulatory environment has been the principal reason.

European retailers, on the other hand, have been far more adventurous, first gaining multi-cultural experience across national boundaries within Europe, and then applying the lessons learned by investing globally. Today, a visit to modern shopping areas in emerging markets in Asia, Latin America or Eastern Europe will involve seeing many European retailers, but few Americans.

Still, for retailers looking for countries of opportunity, both as suppliers and as sources of demand, several areas stand out. Much of Asia is benefiting from China's dramatic growth. As noted earlier in this report, Japan's economy, in particular, has been pulled out of its slump partly because of strong growth in exports to China. Thus, as consumer demand strengthens in Asia, retailers will continue to gain advantage.

China's strong economic growth has led to a rapid increase in the number of middle-class consumers. More importantly, China is in the process of unleashing the retailing industry in line with commitments made at the time it joined the World Trade Organization (WTO).

In December 2004, China eliminated most rules governing foreign investment in the retail sector. Henceforth, foreigners will not be required to seek local partners, will be able to have 100 percent ownership, will be able to source locally without restriction, and will be able to locate in any part of China they choose.

Investment by global retailers has accelerated, with many integrating their Chinese sourcing operations with their local store operations. Notably, the preponderance of such investment is shifting from food and packaged goods toward non-food retailing such as apparel, furniture, and home improvement. This reflects the rising affluence of many Chinese in the big coastal cities. Already, 31 of the top 250 retailers are selling in China.

China is also improving the fortunes of various retailers by being a supplier of choice. The country's low labor costs continue to make it attractive. Ikea recently reported that 23 percent of everything it sells in the world is purchased and manufactured in China. It sees the share going as high as 30 percent over the next four or five years.

Other global markets are attracting retail attention. These include the countries of central Europe, the Persian Gulf, and Southeast Asia. More recently, Russia's strong economic growth and

paucity of regulatory restrictions has attracted such retail luminaries as Metro, Auchan, Ikea, and others.

Central Europe is becoming attractive to retailers because of the area's solid levels of per capita spending and because of various governments' easing of regulations and work rules. The region currently is growing faster than most of Latin America. The World Bank's Doing Business in 2005 report found that the region, which includes the Czech Republic, Poland and Hungary, includes some of the most "business friendly" nations in the world. Further, a United Nations survey of multinational companies showed that the Czech Republic and Poland ranked higher than any Western European or Latin American country in those companies' investment plans for the next five years.

Finally, India looms large as the "next big thing" for retailing. India's billion consumers are finally experiencing rapid economic gains after a long period of modest growth compared to other Asian nations. Economic reforms, combined with strong foreign investment in India's business services sector, have created accelerated affluence in India's major cities. Not much has happened yet, especially given existing restrictions on foreign retail investment. Still, most observers expect the government to relax restrictions and for foreign giants to enter in big numbers later in this decade.

The globalization of retail is inevitable. Currently, the 250 largest retailers sell in 5.5 countries, on average. Only five years prior, the average was 4.5 countries. The trend is even noticeable in the US. Five years ago, only one-third of US retailers sold outside of their home borders. In the latest list, 56 percent have stores in other countries.

As home markets continue to become saturated, retailers will continue to look elsewhere for growth opportunities. In 2004, merger and acquisition activity picked up in major markets, with many of the transactions involving retailers from different home countries. The trend will likely continue as companies seek additional ways to enhance shareholder value.

Analysis of Retail Stock Prices

Market Capitalization

The first table on the opposite page lists the 25 retailers with the highest market capitalization. All data is in US dollars as of Oct. 31, 2004. Some interesting aspects of the list include the following:

- Of the top 25 retailers ranked by market capitalization, 15 are from the US, seven are European, two are Asian, and one is Canadian.
- Of the top 25 retailers ranked by market capitalization, nine are food and mass merchandise retailers. Four are direct sellers. The remaining companies are mainly specialty retailers, of which four are focused on apparel. The strong standing of direct sellers indicates that the market has confidence

TOP 25 RETAILERS			
Ranked by Market Capitalization 10/29/04		US $ Millions	% Change 5 Years
1	WAL-MART STORES	228,756.2	-9.3%
2	HOME DEPOT	90,188.9	-19.7%
3	DELL	88,455.8	-13.6%
4	TARGET	45,184.8	58.7%
5	LOWE'S COMPANIES	43,439.5	105.3%
6	TESCO	40,474.7	100.6%
7	WALGREEN	36,770.3	45.5%
8	MCDONALDS	36,619.5	-34.5%
9	LVMH	33,467.8	13.3%
10	HUTCHISON WHAMPOA	32,728.1	-15.9%
11	CARREFOUR	31,274.1	-50.6%
12	LIBERTY MEDIA SR.A	23,888.6	-47.9%
13	COSTCO WHOLESALE	22,108.5	24.7%
14	HENNES & MAURITZ B	21,202.2	9.5%
15	STARBUCKS	21,018.0	324.3%
16	BEST BUY	19,210.8	67.9%
17	AVON PRODUCTS	18,705.2	122.4%
18	GAP	18,057.1	-43.2%
19	CVS	17,357.9	2.0%
20	KOHLS	17,343.8	42.2%
21	GUS	16,587.9	117.6%
22	INDITEX	15,795.0	NA
23	METRO	15,399.1	-5.6%
24	ITO YOKADO	14,983.8	-54.9%
25	LOBLAW	14,862.1	132.2%

Source: Thomson Datastream

in the future of this format. It could represent a bet on the viability of internet selling.

- Ten of the top 25 have seen their market capitalization decline in the past five years. The remaining 15 experienced improvements.

Q Ratio

The late Nobel Prize-winning economist James Tobin suggested that the combined market value of corporate assets should roughly equal their replacement cost. He dubbed the ratio of market value to asset value as the "Q ratio." Yet despite his expectation, he found that this ratio usually exceeds one. How can this be explained? If, for a particular company, the market capitalization is greater than the value of the company's assets (i.e., the Q ratio is greater than one), then it could be that the company is overvalued or that the market is factoring in future growth opportunities. More likely, a Q ratio greater than one is probably due to the perceived value of non-tangible assets such as brand equity, the value of intellectual property, or the benefits of market dominance. Thus, the higher a company's Q ratio, the greater the market value of a company's non-tangible assets and, most likely, the greater its prospects in a world where avoiding com-

RETAILERS WITH HIGHEST RATIOS OF MARKET VALUE TO ASSETS (Q RATIO)	
STARBUCKS	7.700
AMAZON.COM	6.442
HENNES & MAURITZ B	5.874
AVON PRODUCTS	5.461
DELL	4.612
BED BATH & BEYOND	4.284
WHOLE FOODS MARKET	4.236
NEXT	3.966
INDITEX	3.537
PETSMART	3.488
FAST RETAILING	3.254
WALGREEN	3.224
WILLIAMS SONOMA	3.017
MORRISON (WM) SPMKTS.	2.697
COLRUYT	2.694
TJX COS.	2.666
CARMAX	2.644
HOME DEPOT	2.619
KOHLS	2.589
FAMILY DOLLAR	2.511
DOLLAR GENERAL	2.383
SHOPPERS DRUG MART	2.354
WOOLWORTHS	2.346
YUM! BRANDS	2.342
ROSS STORES	2.338
LOWE'S	2.281
STAPLES	2.276
BEST BUY	2.220
DOLLAR TREE	2.207
MICHAELS STORES	2.191
WAL-MART	2.180

RETAILERS WITH LOWEST Q RATIOS	
LITHIA MOTORS	0.309
RITE AID	0.308
HEIWADO	0.304
DAIRY FARM INTL. (SES)	0.293
RETAIL VENTURES	0.283
SEARS	0.271
TOKYU STORE CHAIN	0.270
KINTETSU	0.269
BEST DENKI	0.265
DILLARDS 'A'	0.256
ASBURY AUTOMOTIVE	0.243
SEIYU	0.235
HUDSON'S BAY	0.233
IZUMIYA	0.229
BIG FOOD GROUP	0.228
TOKYU DEPARTMENT STORE	0.227
UNY	0.225
SONIC AUTOMOTIVE 'A'	0.221
KOJIMA	0.213
GALERIES LAFAYETTE	0.208
WINN-DIXIE	0.197
KARSTADT QUELLE	0.115
SORIANA 'B'	0.085
PATHMARK	0.085
DAIEI	0.036

Source: Thomson Datastream and Deloitte moditization is key to survival.

We have calculated the Q ratio for those retailers on our top 250 list for which data is available. A table on the previous page lists the 31 companies with the highest Q ratios. Nearly three-quarters (74 percent, or 23) of these retailers are based in the US.

Some interesting inferences can be drawn from the list. It appears that all of the retailers with high Q ratios exhibit one or more of the following characteristics:

CHARACTERISTIC	EXAMPLES
Strong brand	Amazon Avon Dell H & M Inditex Next Starbucks Yum! Brands
Clear differentiation	Avon Kohl's Morrison Williams-Sonoma Whole Foods
Unique market position	Bed Bath & Beyond CarMax Fast Retailing Inditex PETsMART
Strong value proposition	Best Buy Dell Dollar General Dollar Tree Stores Fast Retailing Family Dollar H & M Ross Walgreen
Leader in segment	Amazon Home Depot PETsMART Staples Starbucks Wal-Mart

Many of the companies on the list with the lowest Q ratios were Japanese *(see page G45)*. This reflects the onerous debt accumulated by Japanese retailers combined with a long period of deflation which, by reducing cash flow, increased the burden of that debt. The result is that, with Q ratios far lower than one, the market values of these companies are far lower than the asset values. Moreover, many Japanese retailers lack strong brands, are not clearly differentiated from one another, and do not offer strong value propositions given their high prices and low efficiency.

STOCK PRICE PERFORMANCE OF VARIOUS GLOBAL SECTORS

% Change October 1999 to October 2004

Retail general	2.5
Discount, hyper, warehouse	4.6
Hardline	6.0
Softgoods	-4.9
Food and drug	-21.7
Multi-format	6.0
Aerospace	18.3
Automotive	-0.5
Banks	11.5
Chemicals	14.0
Construction	36.7
Food processors	19.7
Household goods and textiles	0.9
Information technology	-54.0
Insurance	-2.5
Leisure and hotels	2.6
Media and entertainment	-25.1
Oil and gas	52.8
Pharma	-8.8
Telecoms	-46.8

Note: Global indices of stock prices are based on most publicly traded companies in the segment, evaluated in US dollars

Source: Thomson Datastream

Stock Price Performance

Stock price performance over the past five years for a variety of global industries has been erratic, with some industries performing very well (oil and gas) and others quite poorly (information technology and telecommunications). Retailing is somewhere in the middle as can be seen in the table at left. While no sub-segment of the retailing industry performed spectacularly, the food and drug sector performed especially poorly compared to the rest. This probably reflects intensified competition from Wal-Mart (in the US) and hard discounters (in Europe).

2005

Global Powers
of Retailing

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