Carrefour

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International Businesses
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EXECUTIVE SUMMARY

History

Carrefour is the largest retailer in Europe and the second largest retailer in the world, after Wal-Mart. Carrefour is based mostly in Europe; however, the company is also located in four of the seven continents. These areas include: the Americas, Africa, Europe, and Asia. Carrefour has been on the rise in expanding into many new areas and has a focus on new and emerging markets. One of these markets is China, where Carrefour is opening seventy-three new stores.

Company Information

Carrefour is a hypermarket that specializes in grocery and retail items. These items include: hardware, clothing, perishable and non-perishable food items, and a variety of other household items. Carrefour’s networks relating to various retail businesses include supermarkets, hypermarkets, discount stores, convenience stores, online stores, and electronic commerce. Because of the variety of items sold at Carrefour, the competition is fierce. Several of the competitors of Carrefour include: grocery stores, convenience stores, Wal-Mart, Tesco, Ahold, Aldi, and Auchan.

SWOT

Strengths of Carrefour are that they are a hypermarket store with a variety of goods and service and they are a well-known company. A weakness is that Carrefour has its own brand name products. This increases consumers to lose trust with the company. Opportunities for Carrefour are the store’s online store performance and overseas subsidies. Many threats also face Carrefour. Huge hypermarkets, like Carrefour, put an extreme amount of pressure on smaller shopping centers. In addition, the ability to adjust
to different countries way-of-life, markets, and competition have put stress on Carrefour.

**Recommendations**

Several short and long-term goals are available for Carrefour to incorporate into its stores. Some short-term goals for Carrefour are to put daycares in the stores and to incorporate a fitness area into the store for white-collar groups. Some long-term goals for Carrefour would be to expand more into the Mexican market and to discover more sales promotions to attract customers.
INTRODUCTION

Carrefour is a well-known company throughout the world. As the largest retailer in Europe, the second in the world, and one of the world leaders in distribution, Carrefour has over 11 thousand stores in the world. In 2004, the company’s sales reached 81.3 billion Euro money, and were reported as 22nd of the top 500 fortune companies in the world by Fortune magazine. In more than 30 countries and areas, such as Europe, Asia, and South America, Carrefour’s networks relating to various retail businesses includes supermarkets, hypermarkets, discount stores, convenience stores, on-line stores, and electronic commerce. Nowadays, 2 billion consumers are served by 420,000 employees of Carrefour all over the world.\(^1\)

In order to provide customers with the best quality of products, the lowest price, and the highest-grade service, Carrefour is seeking the commodity with marketplace competition in different areas, and then identifying the suppliers before setting up the cooperation relationship with them.\(^2\)

From Carrefour’s foundation in 1959, in this near 50 years, the core values which guide the Carrefour group’s human resources policy can be generalized as seven aspects. The first aspect is freedom. Carrefour provided various commodities to consumers and respects consumers’ choices of any product and any brand. The second is responsibility. As a multi billion dollar corporation, Carrefour will be responsible for its behavior about consumers and employees. The third aspect is sharing; Carrefour’s technology and values will be shared with its public relations, shareholders, and suppliers. The fourth aspect is respect, under any condition; Carrefour will respect its workers, customers, and even

\(^1\) [www.gcscl.com](http://www.gcscl.com) The Introduction of Carrefour
\(^2\) [www.gcscl.com](http://www.gcscl.com) The Introduction of Carrefour
competitors. The fifth aspect is integrity, being honest both individuals and the whole group, and keeping promises is part of this group. The sixth area is solidarity. Everyone in the group should solidify, advance, and retreat together. Lastly is progress. Carrefour encourages improvement and innovation in order to make progress. In Carrefour, these seven values have already impenetrate in the whole group.³

**HISTORY**

In the 1950’s, after the Second World War, because of France’s good cuisine, the business of food retailing developed rapidly. At that time, two French businessmen, Marcel Fournier and Louis Defforey caught this opportunity and entered into the market. Their business changed from small family stores to supermarkets. In 1959, the Fournier and Defforey families opened the Carrefour Company in France, and in the second year, they set up the first supermarket in Annecy, Haute-Savoie. This supermarket attracted a lot of consumers because of its lower price, self-service, and good location compared to other retailing stores. In addition, the success of this new concept motivated Fournier and Defforey’s spirit of venture.⁴

In 1963, a challenging idea was born. These two businessmen built a new market, which not only included food merchandise, but also involved life necessities, parking services, gas services, shopping centers “with a floor area of 2,500m², 12 checkouts and 400 parking spaces.”⁵ The scale of this market was the largest one in French history, and it was so-called the father of today’s hypermarket. After that, Carrefour’s business

³ [www.carrefour.com](http://www.carrefour.com) Our Group
⁴ [www.hed.msu.edu](http://www.hed.msu.edu) International Retailing History
⁵ [http://www.carrefour.com](http://www.carrefour.com) History
developed increasingly rapidly. In the 1960’s and 1970’s, Fournier and Defforey tried to improve the market by adding some more convenience service, and lower the price. In fact, they made it and became the winners. During those years, the hypermarket was pretty popular in France. Many big companies tried to open hypermarkets, which included Casino and Auchan. Although they entered into the market and became the competitors of Carrefour, Carrefour still kept its leader position in France, even in the European market. Also, nowadays, as we understand, the hypermarket is the main stream in the world.  

Later, Carrefour’s boom made other small retailing business face closing down. Its scale expanded larger and larger, and the government had no choice but to set a growth limitation to protect small retailing businesses. So, Carrefour and other large retailers had to seek other opportunities to make profit. Carrefour sold its stock to the public and tried to open its overseas market. In 1969, the first hypermarket, which opened outside France by Carrefour, was in Belgium. Included in 1973 was the first hypermarket in Spain, 1975 in Brazil, and 1982 in Argentina. Carrefour’s early plan of internationalization was successful. All of its overseas hypermarkets ran well and made profit. In France, Carrefour is still the leader of retailers.

Until 1988, Carrefour owed 65 hypermarkets domestically; any other retailer company can’t shake its stable position. In 1989, Carrefour opened the first hypermarket in Asia, in Taiwan. It meant Carrefour began to enter into the huge Asian market. Obviously, Carrefour was welcome in Asia. Asia’s success encouraged Carrefour to expand its market outside France; however, Carrefour experienced its first failure in the

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6 [www.hed.msu.edu](http://www.hed.msu.edu) International Retailing History
7 [http://www.carrefour.com](http://www.carrefour.com) History
United States. In the 1990’s, Carrefour opened a new large store in Philadelphia with 330 thousand square feet, 60 checkouts, roller skating grounds, and wide corridors. This huge market couldn’t attract American’s attention because of its poor advertisement, and only 2 years later, a strike started by labor unions led Carrefour in Philadelphia to a recession. In 1991, Carrefour opened another store in New Jersey, but unfortunately again, Carrefour couldn’t make money from the U.S.A. America had already had various merchandises, and the style which worked well in France didn’t mean it would fit America. In 1993, Carrefour was forced to close these two stores in America.8

Except in the U.S.A, Carrefour’s global expansion was almost successful. In 1993, Italy and Turkey had their first Carrefour hypermarkets. The next year, Carrefour opened another two hypermarkets, one located in Mexico and the other in Malaysia. In 1995, Carrefour began to enter into the huge market in China mainland, and in 1996, Carrefour expanded Asia’s market by creating stores in Thailand, Korea, and Hong Kong.9 The domestic retailing market was almost full, so Carrefour tried its best to open overseas markets; however, this situation was difficult to manage. Then, Carrefour decided to sell some small businesses in order to make the management more centralized. In 1996, Carrefour had planned 24 stores abroad.10

At the end of the 20th century, Carrefour had already been the largest retailer in Europe and the second in the world. Its most important competitor was Wal-Mart, which was and still is the giant corporation in the United States. This is also the significant reason why Carrefour couldn’t enter into the U.S. region.11

In the last several years, faced with the increasing competition and sales decrease in
the domestic market, “its market share began to fall in France, Spain, and Brazil.” In 2003, after the death of Carrefour’s biggest shareholders, Paul Louis and his wife, who died in a plane crash, Carrefour wanted to change its governance policy to adjust to the environment.12 During the following year, a new Management Board and Supervisory Board appeared.13 A diagram of Carrefour’s financial status is located in the Exhibits section.

INDUSTRY ANALYSIS

A hypermarket is a superstore, which is the combination of a supermarket and a department store all under one roof. Most hypermarkets can satisfy all of a consumer’s shopping needs in only one trip. A typical Wal-Mart Super Center covers about 150,000 square meters, while a typical Carrefour Super Center covers about 210,000 square meters.14 Compared with the normal 2,000 square meters for a supermarket, this is a huge difference. Also, compared to a typical supermarket that carries around 10,000 items or less, a hypermarket may carry over 30,000 items. This is also another remarkable difference between a hypermarket and a supermarket.

Carrefour made the first attempt, in 1998, to form a hypermarket. This attempt was the beginning of the “hypermarket” era. The market for super centers has continuously been growing over the last few years. Since 2005, the market has grown 4.2%, up to almost $949.3 billion. By the year 2010, hypermarkets all around the world are forecasted to have a value of $1,179.7 billion, which would be an increase of 24.3% since 2005. While Europe is the country that generates the largest value in the

12 www.fundinguniverse.com, 2007, Carrefour SA
14 www.wikipedia.org, 2007, Carrefour
hypermarket industry with 34.5% of the world total, Wal-Mart is the largest hypermarket industry with 18.6% of hypermarket’s total industry revenues.\textsuperscript{15}

Hypermarts seem to be popular because of three essential things that stand out from typical supermarkets and retail chains: products, locations, and prices. Super centers usually sell good, brand name products at a cheaper price than other companies. To make hypermarkets popular among all types of income groups, the slogan “poor people need low prices while rich people love low prices” was started.\textsuperscript{16}

Hypermarts are generally found in out-of-town locations because it is more easily accessible for vehicles. However, in Japan, hypermarkets can be found in urban areas as well as the less populated areas.\textsuperscript{17}

Since hypermarkets can have huge effects on smaller businesses, some countries, like France, pass laws that restrict the amount of power that hypermarkets can impose upon their suppliers economically.\textsuperscript{18}

Super centers located in the United States tend to stay open continuously except for a few major holidays, including Christmas. Hypermarts have been extremely controversial, due to the fact that some people feel that it ends up hurting local businesses, forcing them to abandon and close the business.

**Global Issues**

Before starting a hypermarket in a new country, the company has to know how to approach the different diversities and cultures of the new area. Some governments in different parts of the world make it extremely difficult to enter into the country to begin a

\textsuperscript{15} Global Hypermarkets and Supercenters
\textsuperscript{16} Hypermarkets: Threat to Wet Market?
\textsuperscript{17} www.wikipedia.org. 2007. Hypermarket
\textsuperscript{18} www.wikipedia.org. 2007. Hypermarket
hypermarket. For example, in Malaysia, on April 10, 2002, the trade minister announced that the country would be putting a temporary freeze on applications to open new hypermarkets in order to protect smaller retailers.\textsuperscript{19} Of course, this temporary freeze is gone, but the idea still sticks.

Governments will do just about anything to help their local economy strive, even if it means denying potential businesses to operate. Governments come up with ideas to make it harder for hypermarkets to enter their country. This way, it is harder for the hypermarkets to put local businesses out of business. This, in turn, helps the economy of that country by keeping local businesses intact.

Huge hypermarkets, like Carrefour, put an extreme amount of pressure on smaller shopping centers. Many feel they cannot compete with such a convenient, well-known business and are therefore, forced to abandon their dream of operating a business. In the long run, hypermarkets may end up hurting a community instead of building it up, due to hostile feelings from smaller business owners and other members of the community.

\textbf{Risks}

Competition in the hypermarket industry is fierce. Each hypermarket strives to be the number one hypermarket in the industry. Due to this, hypermarkets are continuously lowering their prices and developing new ideas to make them stronger, tougher, and better than its competition.

Hypermarkets need to be aware of the surroundings and weather changes in any potential areas of future buildings. It is very unreasonable to build a hypermarket in an area that is known for volcanic activity or flooding. The results of a horrific ordeal caused by earthly elements may cost a huge amount of money to restore. Therefore, before

\textsuperscript{19} \url{www.findarticles.com}, 2007. Carrefour.
beginning the process of starting up a hypermarket, the company must make sure that the area in which they want to build, the necessary research is needed to make sure that the area is safe, sturdy, and compatible.

Hypermarkets are appearing almost everywhere around the world. Although expanding internationally is an extremely costly investment, many hypermarkets are expanding their horizon by going overseas.

**Future Trends**

With technology evolving more and more every day, there are more people who, instead of getting into their vehicle to drive downtown in order to make a purchase, only have to search on the World Wide Web in order to click a button and purchase an item. To many people, this is way easier than standing in line at a checkout. Because of this fact, hypermarkets may indeed end up to be just a trend. As more and more people become familiar with the Internet, more and more hypermarkets may lose business.

In fact, the number of trips to malls has decreased by 50% since the early 1990's, while the average number of stores visited dropped from seven to three.²⁰ If there has been this huge of an impact from supermarkets to hypermarkets, anything can happen if more people start shopping online and hypermarkets are no longer popular. Customers who have little or no time to shop mostly rely on hypermarkets to save money and time. However, shopping online is even faster than shopping at a hypermarket.

**COMPANY ANALYSIS**

**Strengths**

Carrefour is first known for its creative store format – the hypermarket, which

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²⁰ Trends in Retail Trade
provides an extraordinary diversity of products under the concept of “everything-under-one-roof”. So far, hypermarkets have always been the most profitable division for Carrefour. In 2005, hypermarkets accounted for 58.8% of net sales. Refer to Figure 1 in the Exhibits section for more information on hypermarket’s net sales. There is no doubt that hypermarkets are powerful cash cow, because they not only offer customers with possibly low prices, but also they implement an innovative strategy.

Traditionally, retailers are usually located in the downtown to attract customers and stimulate their sales. However, Carrefour chooses the sites that are “located in the center of broad catchments areas, and will often be important drivers of traffic in the area around them.”\(^2\)\(^1\) Therefore, on one hand, Carrefour can cut the cost down which is generally the one third of the traditional ones. On the other hand, the customers can almost meet all of their routine weekly needs in one trip which is indeed a more convenient shopping model and is immediately welcomed by the majority.

In addition, Carrefour has a large economic scale, especially in Europe, Asian, and Latin America. For example, among all the foreign retailers in China, Carrefour is the first to make profits and is the only one until 2005. The major element of Carrefour’s success is that the setting-up new ones’ speed and the total number of stores have far surpassed others, even Wal-Mart, the largest in the world, can not compete with it. Therefore, Carrefour can always keep its operating cost low, and it can have competitive low prices.

**Weaknesses**

Since the innovation of hypermarkets had made Carrefour famous as well as money-making, it brought forth another idea called “*produits libres*” in 1976. According

\(^{21}\) http://www.carrefour.com
to this imaginative idea, Carrefour introduces its own branded but high-quality products. Therefore, the prices go down, and customers and Carrefour both could win. However, Carrefour, in fact, suffers more harm than benefit. First of all, this idea has impaired the image of Carrefour to some extent. The majority of customers instinctively believe that own branded products are low-end products. Thus, most customers do not trust these products and will not consider purchasing them. Actually, Carrefour, known as a retailer, can not compare with big manufacturers anyhow. In addition, “produits libres” has contained the ability of Carrefour as a whole.

Because of the large scale, Carrefour has heavy obligations for consumers and society. Mostly, its obligations are attributed to service. But when Carrefour has made a decision to manufacture its own products, it spontaneously owns consumers the obligation of the quality of products. Consequently, the ability of service will be weakened, while Carrefour’s main work is to serve.

Carrefour is a kind of monopoly to many suppliers, especially in hypermarkets. In Shanghai, China, Carrefour was deeply challenged by its suppliers because of its extremely high admission charges in 2006. Depending on its strong financial and social influence, Carrefour was thought to wrongfully manipulate the admission charges which had violated the principle of dealing in good faith and trading fairly. In contrast, suppliers were oppressed harshly. For Carrefour, the admission charges contributed its whole profits up to 50 percent in China. Carrefour pushed them so severe that suppliers could hardly survive. As a result, they got together to overthrow the one-side power of Carrefour. Likewise, a similar situation happened in Korea. It is also quite obvious that Carrefour needs to think deeply and to take into consideration the company's behavior,
especially their monopolistic behavior.

**Opportunities**

Despite the major four leading formats in Carrefour, there is another promising one called on-line stores. This young format was created in 1999, and accounts for only a tiny share. However, the e-business grows rapidly in recent years and has radically altered the way retailing is conducted. Due to the advantages the e-business has, on-line stores will bring Carrefour a big fortune.

First, the Internet-based transactions reduce the operating cost. Carrefour takes up a huge area to run, particularly the hypermarket. Thus the expenditure to run goes up. On-line stores charge much few. Second, this new model can significantly lower the purchasing expenses and largely elevate the efficiency of trading. On one hand, e-business cuts the expense of inventory storage which is usually expensive. On the other, if people shop on-line, Carrefour can ship the goods from the most convenient place. Third, on-line stores need not to employ a large number of people to serve customers. Therefore, the margins build up.

Additionally, though it is the second largest retailer in the world, Carrefour is particularly concerned about global expansion. According to the statistics in 2003, Carrefour “won 50% of its sales in the international checkout in 29 countries”, while Wal-Mart, the world largest retailer, just “got 16% of their sales outside of home’s shopping aisles and had a presence in only 11 other countries”.22 Today it still holds the priority of extensively opening new stores, especially in the Chinese market. So far, Carrefour has 75 stores in China, and it is said that it is to open 60 more in the next 3 years. The large population and the increasing quality of life in China should allow

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22 [http://knowledge.insead.edu/abstract.cfm?ct=14650](http://knowledge.insead.edu/abstract.cfm?ct=14650)
Carrefour to raise its sale and income. Figure 2 in the Exhibits section discusses more on global expansion.

**Threats**

Globalization facilitates Carrefour’s achievements worldwide, but it also makes Carrefour face **stiff competition all over the world**. Large international retailers compete with Carrefour in market share. For instance, Wal-Mart proclaimed the “acquisition of 140 stores in Brazil, adding a variety of retail formats to the company’s existing formats in the country”. What’s more, local stores may negatively affect the profitability of Carrefour.

Furthermore, the **hierarchy is severe in the management** of Carrefour. A large number of employees complain that Carrefour is indifferent to and strict with them. What high-level employers concern is only whether the goal has attained or not. The workload is so intense that employees are accustomed to working overtime. Meanwhile, the work environment is harsh. Thus, most employees do not have any passion for the company. As soon as they have a chance, they will choose to jump to a better company. The higher the flow of employment is, the worse the performance of the company will be.

**Global Issues**

In March 10, 2005, Carrefour announced its **withdrawal from the Japanese market** after only four years. Carrefour was hoping to takeover Japanese consumers by offering a more sophisticated image, and more international groceries than traditional Japanese supermarkets. Instead, it could not survive.

The first reason of its failure is that Carrefour did not adapt appropriately to the unique Japanese market. For example, in Japan, the individual residential area is usually

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small, so it is not common for families to purchase a large quantity of goods every time and store them at home. Besides, Japanese are particular about food, especially vegetables and fish. They usually purchase the quantity they need that day. Therefore, Carrefour is not always a wise choice.

The more important reason is that the traditional method of discount sales through volume purchasing is not favored by Japanese consumers. In contrast, they greatly pursue distinctiveness and uniqueness. Thus, Carrefour could not attract a majority of Japanese consumers and had to pull out of the valuable market.

Globally, Japan is not the only country Carrefour has withdrawn from. It is, in fact, a strategy of Carrefour. First, from the company’s perspective, Carrefour has decided to shift its efforts from oversees to home base. Due to the terrible performance in France, the directors of Carrefour have suffered a lot of pressure. Thus improving the current situation has become the priority. Second, from the competitor’s perspective, Carrefour sold the stores to the local retailers instead of big ones, such as Wal-Mart, on purpose in order to ease the competition from them worldwide.

**COMPETITOR ANALYSIS**

Carrefour faces a great deal of competition. This competition includes both indirect and direct competition. Figure 3 in the Exhibits section describes more of Carrefour’s major competitors.

Several indirect competitors of Carrefour are convenience stores, grocery stores, and shopping centers. **Convenience stores** offer general merchandise and various supermarket items, much like Carrefour offers. Because many people fill their cars with
gas at these stores, individuals enjoy the convenience that these stores offer. However, convenience stores do not offer the wide variety of items that Carrefour sells.

Also, shopping centers are a competitor with Carrefour. At these shopping centers, customers are able to purchase clothing and general merchandise. Many people choose to shop at shopping centers for their variety of items all in one location; however, shopping centers do not always have discounted prices like Carrefour does.

Grocery stores are another area of competition for Carrefour. Both grocery stores and Carrefour sell food items; however, it is still easier and more convenient to go to a store where shoppers can have a one-stop-shopping experience, much like Carrefour, which has more than 100,000 items in stock under one roof.24

Direct competition is also quite fierce for Carrefour. One direct competitor is Auchan. Auchan is a French grocery chain that is growing at a rapid pace and is expanding into Central and Eastern Europe. Auchan operates hypermarkets, supermarkets, convenience stores, and employs nearly 81,000 people.25

E. Leclerc is another competitor of Carrefour. E. Leclerc is a cooperation of over 550 food retail franchises, mostly in France, but spread over Spain, Italy, and Portugal, and now moving into Eastern Europe.26 In addition to food products, E. Leclerc also sells clothing, making the company a major competitor with Carrefour.

Aldi boasts awesome margins, huge market clout, and seemingly unstoppable growth, including an estimated sale increase of 8% a year since 1998.27 The European discount chain sells a limited amount of items, but is still a major competitor of

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Carrefour. When discussing market shares in the European market, Aldi has a 3.5% market share, compared to Carrefour's market share of 6.8%.²⁸ Because of the competitive nature of Aldi, it is a rival of Carrefour.

An international competitor of Carrefour is **Ahold**. Ahold (which stands for “Albert Heijn Holdings”), based in Amsterdam, is a grocery retailer and is the largest grocery retailer in Amsterdam. The company expanded internationally starting in the 1970s, eventually buying chains in Spain, the United States, and Portugal, and accelerating its acquisitions in the latter half of the 1990s in markets in Latin America, Eastern Europe, and Asia.²⁹

Another major competitor is **Tesco**. Tesco is based out of the United Kingdom and is Britain’s largest retailer of grocery and general merchandise. Carrefour was located in the United Kingdom until the 1980s. All, except one Carrefour store was later sold to other retail stores. Tesco operates under a “good, better, and best" policy for its products. This means that the Tesco brand has three ranges of items: value, brand, and finest. This range of goods allows Tesco to target all income ranges of customers. In December 2006, The Grocer rated Tesco as having one of the slowest checkouts of the six major supermarkets. The study also found that Tesco was the second cheapest supermarket in the United Kingdom.³⁰

In addition, in February 2006, Tesco announced its intention to move into the United States market by opening a chain of convenience stores on the West Coast (Arizona, California and Nevada) in 2007 named Fresh & Easy.³¹ When compared to

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Carrefour, Tesco is making expansion progress to the United States. Carrefour, however, has failed in this department. From 1988 to 1992, Carrefour opened stores in Philadelphia and Voorhees Township, New Jersey. However, by 1993, both of these stores closed.

The world's number one retailer and the most famous competitor of Carrefour is retail tycoon, **Wal-Mart**. Wal-Mart bases itself on the following three areas: to trust everyone, to provide total-solution service, and in search of highest quality—to shape their unique corporate culture. Carrefour is similar to Wal-Mart in their values, for they each pride themselves for their low prices. Carrefour has a one-stop shopping center for their customers, the lowest prices possible, fresh produce and is a self-served shopping center in a hypermarket with free parking. Carrefour also has been expanding to foreign markets at a quicker and more flexible rate than Wal-Mart. Wal-Mart, on the other hand, insists on the lowest prices every day, to carry out total solution services, effectively control the cost of global logistics, fully leverage information technology to become e-company, and powerfully motivated employees that work and share knowledge and who adopt a play-safe strategy in internationalization.

When considering international business, Carrefour is much more experienced than Wal-Mart. In Asia, Wal-Mart’s sourcing is localized. This localization allows Wal-Mart to meet customer’s needs and it also lowers the lead-time and the delivery costs. Carrefour, however, is beginning to centralize its sourcing. Carrefour’s suppliers still

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deal with local stores directly, and since 1995, Carrefour has had 95% of its products locally sourced.\textsuperscript{34}

The physical distribution and digitalized strategies also differ with Wal-Mart and Carrefour. Wal-Mart has a system built on complete storage management. This method enables Wal-Mart to replenish goods twice a week (once bi-weekly to their rivals) and reduce storage space and delivery time. Because of this strategy, Wal-Mart increases profitability by 2%, compared with their competitors.\textsuperscript{35} Two descriptive comparisons of Carrefour and Wal-Mart are located in the Exhibits section.

**RECOMMENDATIONS**

Hypermarkets never cease to amaze people at how many different services they provide, from grocery shopping to hair styling. In order to put people in awe once again, Carrefour could \textbf{open a daycare}. This short-term daycare goal would be provided for parents who would like to be able to shop without having to make sure their little ones don’t “secretly” pull things off shelves or throw tantrums in the middle of their shopping experience. It would take the pressure off of the parents so they can have an enjoyable time at the superstore.

In Carrefour’s hypermarket, there are variety stores including coffee bars, cafeterias, jewelry, costumes, and playrooms. Based on daycare service, which prepared for young couples, Carrefour can try to \textbf{do something for white-collars} which is a significant consuming group. Because of their overload work time and workload, their free time is limited. In the weekend during a festival, they prefer to shop in a hypermarket


which can offer them all they want. So, if Carrefour opens some stores such as fitting room, swimming pool, message parlors which can make them relax, and then the white-collar group not only can shop to get what they need for next whole week, but also relax themselves after a week’s exhausting work. Maybe the cost is not low, but the future profit is pretty attractive.

A long-term goal for Carrefour would be to enter into more Mexican areas. The country of Mexico has had great difficulties over the years with both government issues an unstable economy. Even though the country has experienced difficult times in the past, there is still potential for Carrefour. In the past five to six years, the Mexican economy has shown signs of stabilization, growth, and more predictable governmental actions. Moreover, the increasing spending power among Mexican consumers has spurred a heavy demand for choice and foreign goods. 

Currently, Mexico has 26 Carrefour hypermarket stores. However, with the increasing number of illegal aliens coming to the United States for work, there is a clear demand for work in Mexico. For example, in 2004, Carrefour opened a store in Acapulco. The new hypermarket created 323 new jobs, with over 85% of employees from the local community. With an increase in Mexican jobs, like Carrefour, it is possible that more Mexicans will choose to stay in their country for work.

The current price strategy Carrefour adopts is called “high-low price” which means that the daily price is relatively high, while the sales promotion price is extremely low. In contrast, its competitor, Wal-Mart, uses the price strategy labeled “every day low price”. Thus, Wal-Mart seems more attractive in normal time, and in the long-term, the

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current strategy will impair Carrefour. In order to overcome this drawback, Carrefour has to figure out something **innovative to draw customers’ attention**. For example, Carrefour can fix a minimum accumulative consumption that a customer has to make so as to join a lottery to gain a big gift. Additionally, Carrefour can come up with a membership. The more goods customers consume the higher level they are in the membership, and the more benefits they can get.

**CONCLUSION**

Carrefour is the world’s second retailer giant, located in four continents which including more than 30 countries and areas, with 420,000 trained employees. Its various networks are supermarkets, hypermarkets, discount stores, convenience stores, on-line stores, and electronic commerce. Such a multi-billion dollar corporation does not exist in the United States, the most developed country, because of Wal-Mart, the largest retail in the world. However, Carrefour wanted to change its governance policy to adjust to the environment in order to expand into many new areas by focus on emerging markets, such as developing countries.

The industry of the hypermarket is full of positive potential and negative drawbacks. The global issues of the hypermarket industry include government restrictions and regulations. The risks of the hypermarket industry include competition, environmental surroundings, and the expansion of the markets into another area of the world. Future trends of the hypermarket industry include advanced technology and online shopping. The hypermarket industry seems to be growing larger and more competitive. Since 2005, the market has grown 4.2%, which is almost a $949.9 billion increase. This is
an enormous increase, one that will only continue to grow larger every year.

Though it encounters some threats from both itself and the retail industry, at home as well as overseas, Carrefour is quite confident of its ability to maintain current advantageous market share, and even try to substitute Wal-Mart to be the largest. As a whole, Carrefour has done a great job. However, Carrefour also has noticed that some harmful problems are still suspending. How to solve them becomes the priority of the company. At the same time, there are also numerous opportunities Carrefour can make good use of. The key point is how to look into the future and come up with corporate level strategies and utilize the resources maximally to generate optimal margins.

Carrefour faces a great deal of competition, not just from retail giant Wal-Mart, but also from convenience stores, grocery stores, and shopping centers. The competitors of Carrefour are many, however, besides Wal-Mart, they do not have what Carrefour has to offer. To customers, Carrefour offers convenience, variety, low prices, and over 100,000 items under one roof. Many of Carrefour's competitors are based in Europe, however, Wal-Mart's are located worldwide, creating a major rivalry between the two retail leaders.

Carrefour's strategy has been to sell off under performing assets and buy other retailers. Carrefour has also continued to expand into Asia and Latin America. A new management team, a move towards more joint ventures in foreign markets, and a more collaborative relationship with key suppliers also hold up the group's push to drive growth.38

Carrefour stores are not only large in size, but the expansion all over the world is also remarkable. Carrefour is moving forwards quickly and there are major plans and a

large new market in the works. Carrefour stores are very reactive and are moving and expanding very quickly. Carrefour may be the world's second largest retailer; however, by implementing strategic plans and setting high expansion goals, Carrefour will give Wal-Mart the fiercest competition possible.

**METHODOLOGY**

The methodology used for the Carrefour case varies. To begin the project, the group attended group meetings in the library. After discussing the project, it was decided we would use the Internet as the main source of information. All of the information used was taken from credible sites on the Internet. A great deal of information was found on Carrefour’s website. Several graphs, along with a plethora of statistics were taken from the retail giant’s website. Also on Carrefour’s website, we found the history and goals of the company, in addition to press releases, which were very valuable to the group. Other information came from using Dickinson State University’s website. Business Source Premier and Datamonitor were the two main sites used on the school’s website. In addition, it was discovered that Wikipedia had a great deal of valuable information. Pictures and data were also found by using Google. Google was a nice site to use, for we were able of finding many statistics and graphs to use for our Carrefour group case. In addition, information was gathered from Yahoo!’s financial comparisons of Carrefour.
EXHIBITS

Figure 1:

Yahoo! Financial Trade Analysis of Carrefour

Figure 2:

2005 Breakdown of consolidated net sales by geographic region and by store format

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Figure 3: International Development of Carrefour in 1999\textsuperscript{41}

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of stores</th>
<th>Formats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>300</td>
<td>22 (HM), 133 (HD), 145 (SM)</td>
</tr>
<tr>
<td>Belgium</td>
<td>483</td>
<td>60 (HM), 423 (SM)</td>
</tr>
<tr>
<td>Brazil</td>
<td>193</td>
<td>69 (HM), 124 (SM)</td>
</tr>
<tr>
<td>Chile</td>
<td>2</td>
<td>HM</td>
</tr>
<tr>
<td>China</td>
<td>23</td>
<td>HM</td>
</tr>
<tr>
<td>Colombia</td>
<td>2</td>
<td>HM</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5</td>
<td>HM</td>
</tr>
<tr>
<td>Greece (Marinopoulos)</td>
<td>313</td>
<td>14 (HM), 133 (SM), 166 (HD)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7</td>
<td>HM</td>
</tr>
<tr>
<td>Italy</td>
<td>912</td>
<td>38 (HM), 288 (SM), 532 (CS), 9 (C&amp;C), 47 (FF)</td>
</tr>
<tr>
<td>Korea</td>
<td>15</td>
<td>HM</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6</td>
<td>HM</td>
</tr>
<tr>
<td>Mexico</td>
<td>17</td>
<td>HM</td>
</tr>
<tr>
<td>Poland</td>
<td>16</td>
<td>7 (HM), 27 Global (SM)</td>
</tr>
<tr>
<td>Portugal (Sonae)</td>
<td>366</td>
<td>17 (HM), 64 (SM), 283 (HD)</td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
<td>HM</td>
</tr>
<tr>
<td>Spain</td>
<td>3,098</td>
<td>117 (HM), 180 (SM), 2239 (HD), 532 (CS), 30 (CC)</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1</td>
<td>HM</td>
</tr>
<tr>
<td>Taiwan</td>
<td>23</td>
<td>HM</td>
</tr>
<tr>
<td>Thailand</td>
<td>10</td>
<td>HM</td>
</tr>
<tr>
<td>Turkey</td>
<td>32</td>
<td>7 (HM), 25 (HD)</td>
</tr>
</tbody>
</table>

Note: HM = hypermarkets, SM = supermarkets, HD = hard discount, CS = convenience store
C&C = Cash and carry
Source: CIES (2000)

Figure 4:

**Leading European Meat and Grocery Retailers**

<table>
<thead>
<tr>
<th>Company</th>
<th>2001 sales (million Euros)</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrefour</td>
<td>53,878</td>
<td>France</td>
</tr>
<tr>
<td>Tesco</td>
<td>35,640</td>
<td>UK</td>
</tr>
<tr>
<td>Intermarché</td>
<td>30,015</td>
<td>France</td>
</tr>
<tr>
<td>Aldi</td>
<td>27,555</td>
<td>Germany</td>
</tr>
<tr>
<td>Edeka</td>
<td>27,165</td>
<td>Germany</td>
</tr>
<tr>
<td>Rewe</td>
<td>27,081</td>
<td>Germany</td>
</tr>
<tr>
<td>Auchan</td>
<td>25,908</td>
<td>France</td>
</tr>
<tr>
<td>Leclerc</td>
<td>23,774</td>
<td>France</td>
</tr>
<tr>
<td>Sainsbury</td>
<td>22,821</td>
<td>UK</td>
</tr>
<tr>
<td>Casino</td>
<td>20,685</td>
<td>France</td>
</tr>
</tbody>
</table>

\textsuperscript{41} CIES (2000).
Figure 5: Comparative Strategies of Carrefour and Wal-Mart

Table III Comparative strategies of Carrefour and Wal-Mart

<table>
<thead>
<tr>
<th></th>
<th>Carrefour/Promodès</th>
<th>Wal-Mart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision of the market</td>
<td>&quot;Globalisation is a reality which has been imposed on all retailers; underlying it is the emergence of a global middle-class which has a new consciousness which comes from the freedom to move around, to choose, and to reflect on what it wants, and will therefore buy.&quot; (Daniel Bernard)</td>
<td>Rule 8: Exceed your customers’ expectations. If you do, they will come back over and over. Give them what they want — and a little more Rule 9: Control your expenses better than your competition. This is where you can always find a competitive advantage (Sam Walton)</td>
</tr>
<tr>
<td>Main formats</td>
<td>Hypermarket, supermarket, hard discount</td>
<td>Discount department stores, wholesale members’ clubs, supercenters, neighbourhood markets</td>
</tr>
<tr>
<td>Product coverage</td>
<td>Products and services becoming commonplace</td>
<td>Strong penetration of general merchandise; increasing food diversification</td>
</tr>
<tr>
<td>Coverage of the domestic markets</td>
<td>Leading French and European company by turnover</td>
<td>Leading US distributor</td>
</tr>
<tr>
<td>International development strategy</td>
<td>Worldwide ambition. Strong presence in Latin America and Asia</td>
<td>Recent worldwide ambition</td>
</tr>
<tr>
<td>Entry strategy in foreign countries</td>
<td>Organic development or alliances with management control</td>
<td>Strong presence in Europe</td>
</tr>
<tr>
<td>International coverage (number of countries)</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>Logistical and information technology expertise</td>
<td>Has still to improve</td>
<td>Very high expertise and performances</td>
</tr>
<tr>
<td>Strength of own brand</td>
<td>Quite strong</td>
<td>Weak</td>
</tr>
<tr>
<td>Type of relationship with suppliers</td>
<td>&quot;Back margins&quot; strategy</td>
<td>Cooperation in the management of the value chain</td>
</tr>
<tr>
<td>Marketing positioning</td>
<td>Low prices/new services</td>
<td>&quot;Every day low prices&quot;</td>
</tr>
<tr>
<td>Communication</td>
<td>Offering a rational and pleasant buying experience</td>
<td>Customer satisfaction and cost-oriented distributor</td>
</tr>
<tr>
<td>Management of the manpower</td>
<td>First worldwide campaigns</td>
<td>In the process of internationalisation</td>
</tr>
<tr>
<td></td>
<td>Large-scale attraction promotion</td>
<td>Employees are &quot;associates&quot;</td>
</tr>
<tr>
<td></td>
<td>Decentralisation culture</td>
<td></td>
</tr>
</tbody>
</table>

Figure 6: Carrefour and Wal-Mart’s Net Sales

42 http://www.emeraldinsight.com/
43 http://www.business.no/artikkel_final_strategic.htm
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2007.