

**Top Destinations for Global Retailers**

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# 2012 Global Retail Development Index

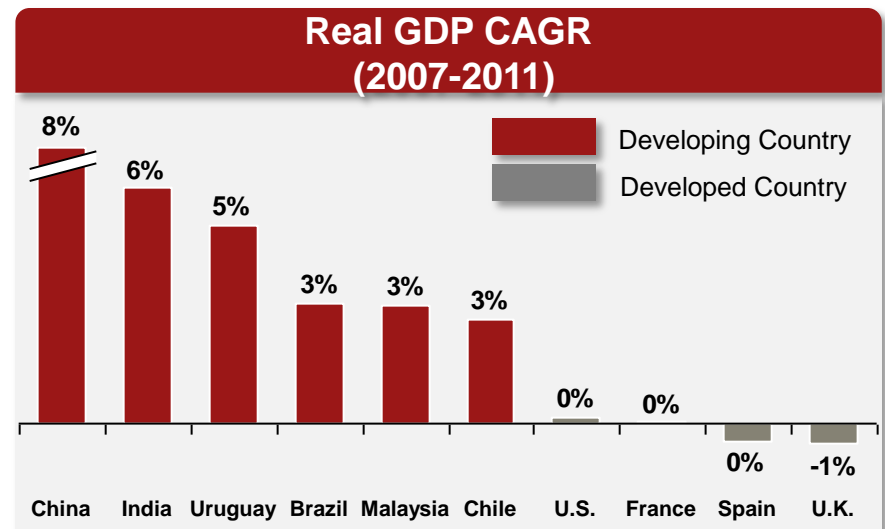
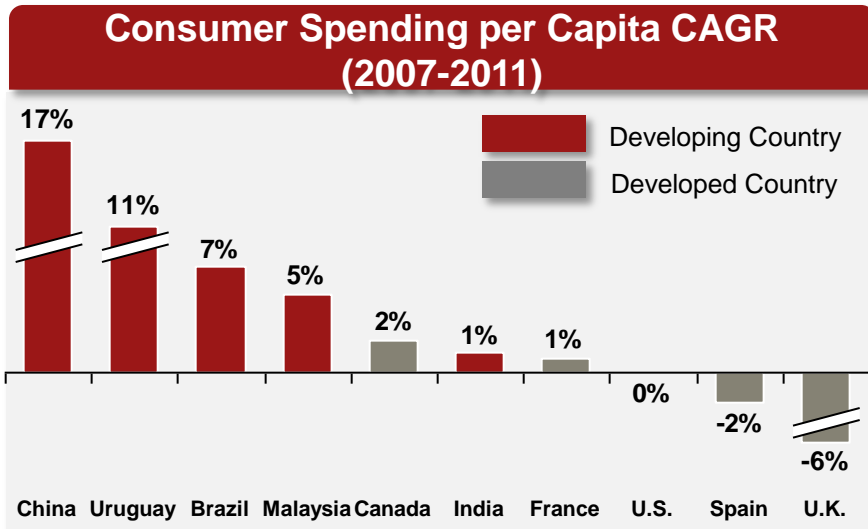
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# Global expansion is no longer a “nice to have” - but a “must” to overcome slowing growth in core markets

## Rationale for Global Expansion

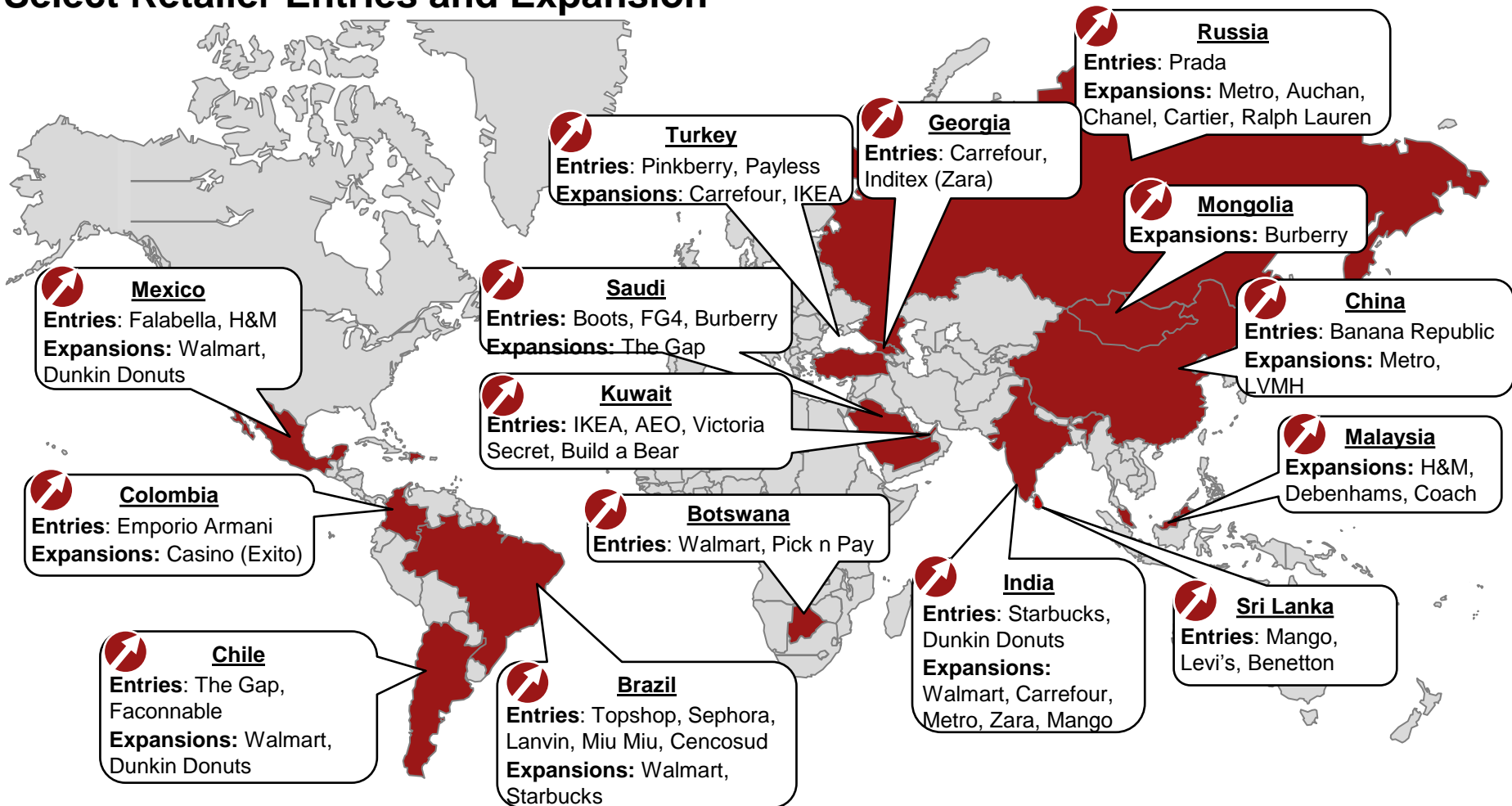
- Consumer spending is stagnating or declining in developed markets, while in some parts of the world, consumer spending is growing by >6-7% per year (mostly emerging markets)
- Saturation of retail space
- Varying performance across markets (developed and developing) necessitates a portfolio approach to global operations



As a result, we have seen retailers continue to expand their presence in emerging markets

2011-2012

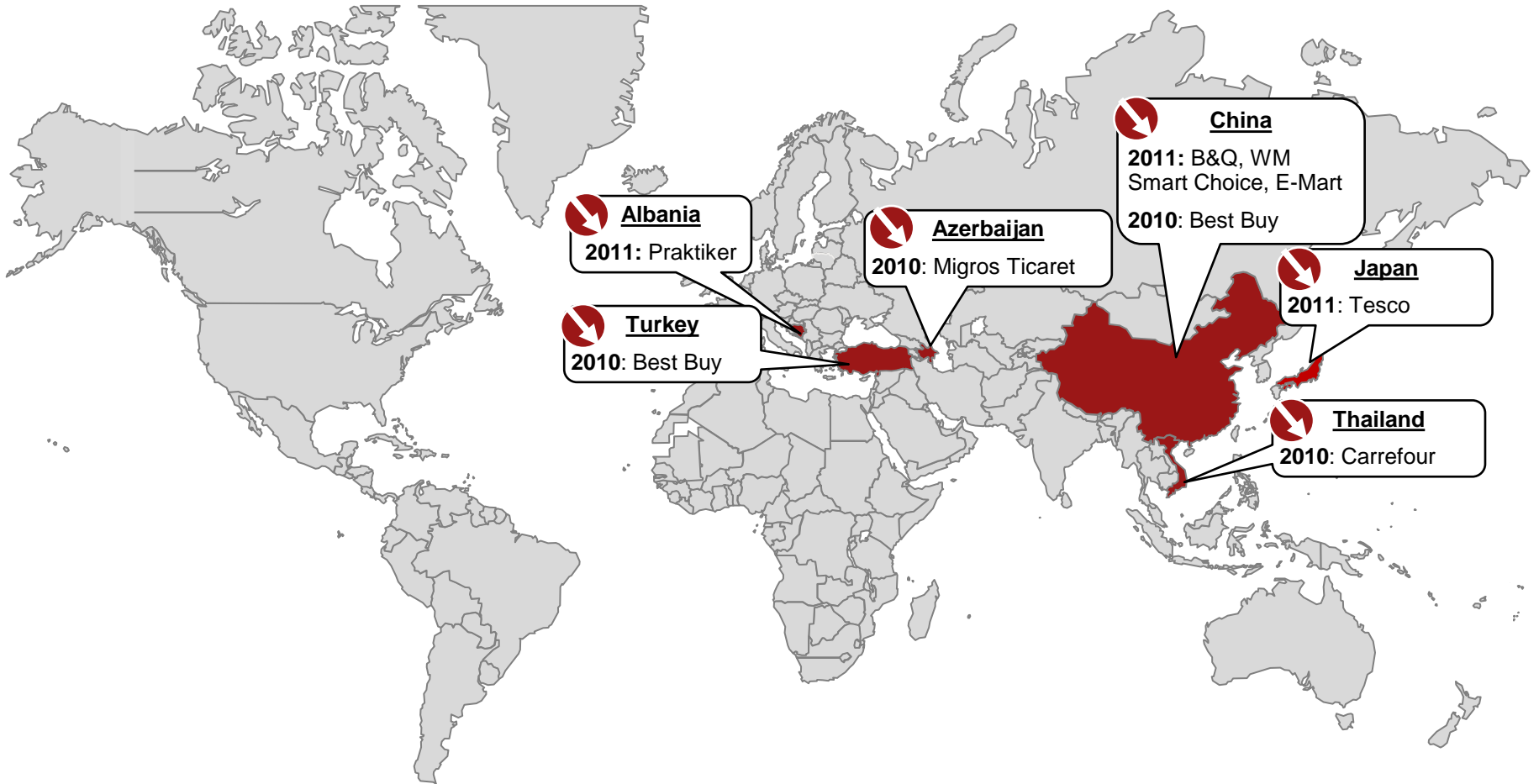
Select Retailer Entries and Expansion



Since 2010, we have seen less exits – this is a sign that retailers are refining their formula for success

**2010-2012**

**Select Retailer Exits**



# Key trends in global expansion

## Small Retailers/ Big Retailers

- Retail expansion is not just a “Big Guys” game
- Large global consolidators like Carrefour, Metro, Tesco and Walmart are not the only retailers prioritizing global expansion
- Smaller, specialty retailers are entering new markets to expand their international portfolios

## Small Countries/ Big Countries

- Bigger is not always better
- Small, untapped markets may provide the profit opportunity from investment by regional & specialty retailers
- Georgia, Oman, Azerbaijan and Mongolia enter the ranking, given their strong fundamentals and pockets of wealth

## The Emergence of Africa

- Botswana makes its first appearance in the GRDI as a pre-cursor to the rise of Sub-Saharan Africa
- By 2050, Nigeria, Ethiopia and DRC are expected to be among the most populous countries in the world

## E-Commerce as entry and expansion channel

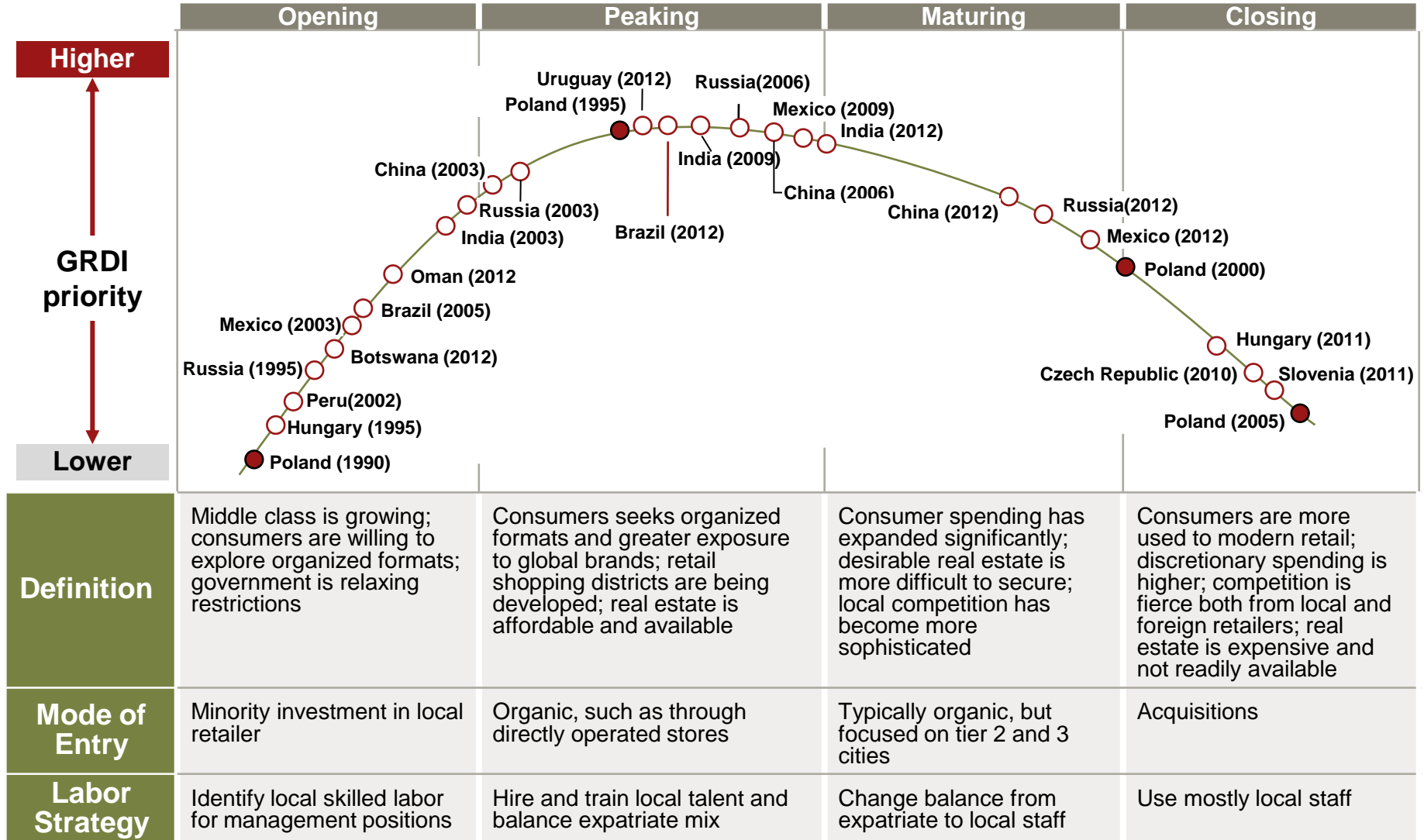
- E-commerce and mobile commerce growth outpaces physical retail in almost all markets and provides a great way to test the market and build the brand
- Retailers are approaching new market entry through e-commerce as a pure-play and as an expansion platform from a multi-channel perspective

# 2012 Global Retail Development Index™

2012 Rank	Country	Region	Market attractiveness (25%)	Country risk (25%)	Market saturation (25%)	Time Pressure (25%)	GRDI Score	Change in rank compared to 2011 <sup>(1)</sup>
1	Brazil	Latin America	100.0	85.4	48.2	61.6	73.8	0
2	Chile	Latin America	86.6	100.0	17.4	57.1	65.3	0
3	China	Asia	53.4	72.6	29.3	100.0	63.8	+3
4	Uruguay	Latin America	84.1	56.1	60.0	52.3	63.1	-1
5	India	Asia	31.0	66.7	57.6	87.9	60.8	-1
6	Georgia	Central Asia	27.0	68.7	92.6	54.0	60.6	N/A
7	United Arab Emirates	MENA	86.1	93.9	9.4	52.9	60.6	+1
8	Oman	MENA	69.3	98.3	17.4	50.4	58.9	N/A
9	Mongolia	Asia	6.4	54.4	98.2	75.1	58.5	N/A
10	Peru	Latin America	43.8	55.5	62.9	67.2	57.4	-3
11	Malaysia	Asia	56.7	98.1	18.9	54.8	57.1	+8
12	Kuwait	MENA	81.1	88.7	36.4	20.3	56.6	-7
13	Turkey	Eastern Europe	78.8	69.3	32.3	33.1	53.4	-4
14	Saudi Arabia	MENA	63.1	81.8	35.4	33.0	53.3	-4
15	Sri Lanka	Asia	12.7	68.3	79.0	51.3	52.8	+6
16	Indonesia	Asia	39.6	61.6	47.0	62.4	52.7	-1
17	Azerbaijan	Central Asia	19.2	41.5	93.6	53.2	51.9	N/A
18	Jordan	MENA	45.8	65.3	69.5	23.8	51.1	N/A
19	Kazakhstan	Central Asia	31.5	47.5	75.5	47.5	50.5	-5
20	Botswana	Sub-Saharan Africa	44.4	88.1	42.7	23.7	49.7	N/A
21	Macedonia	Eastern Europe	34.6	46.5	55.9	56.6	48.4	+8
22	Lebanon	MENA	60.2	30.2	48.9	54.2	48.4	-10
23	Colombia	Latin America	47.8	70.1	36.7	36.6	47.8	+1
24	Panama	Latin America	53.4	68.8	42.0	25.2	47.4	+2
25	Albania	Eastern Europe	24.6	47.6	74.8	39.9	46.7	-12
26	Russia	Eastern Europe	80.2	53.6	19.6	32.2	46.4	-15
27	Morocco	MENA	23.5	58.2	48.2	49.2	44.8	-7
28	Mexico	Latin America	71.9	70.0	15.1	20.3	44.3	-6
29	Philippines	Asia	28.3	54.6	52.5	38.3	43.4	-13
30	Tunisia	MENA	35.7	55.4	65.0	14.4	42.6	-12

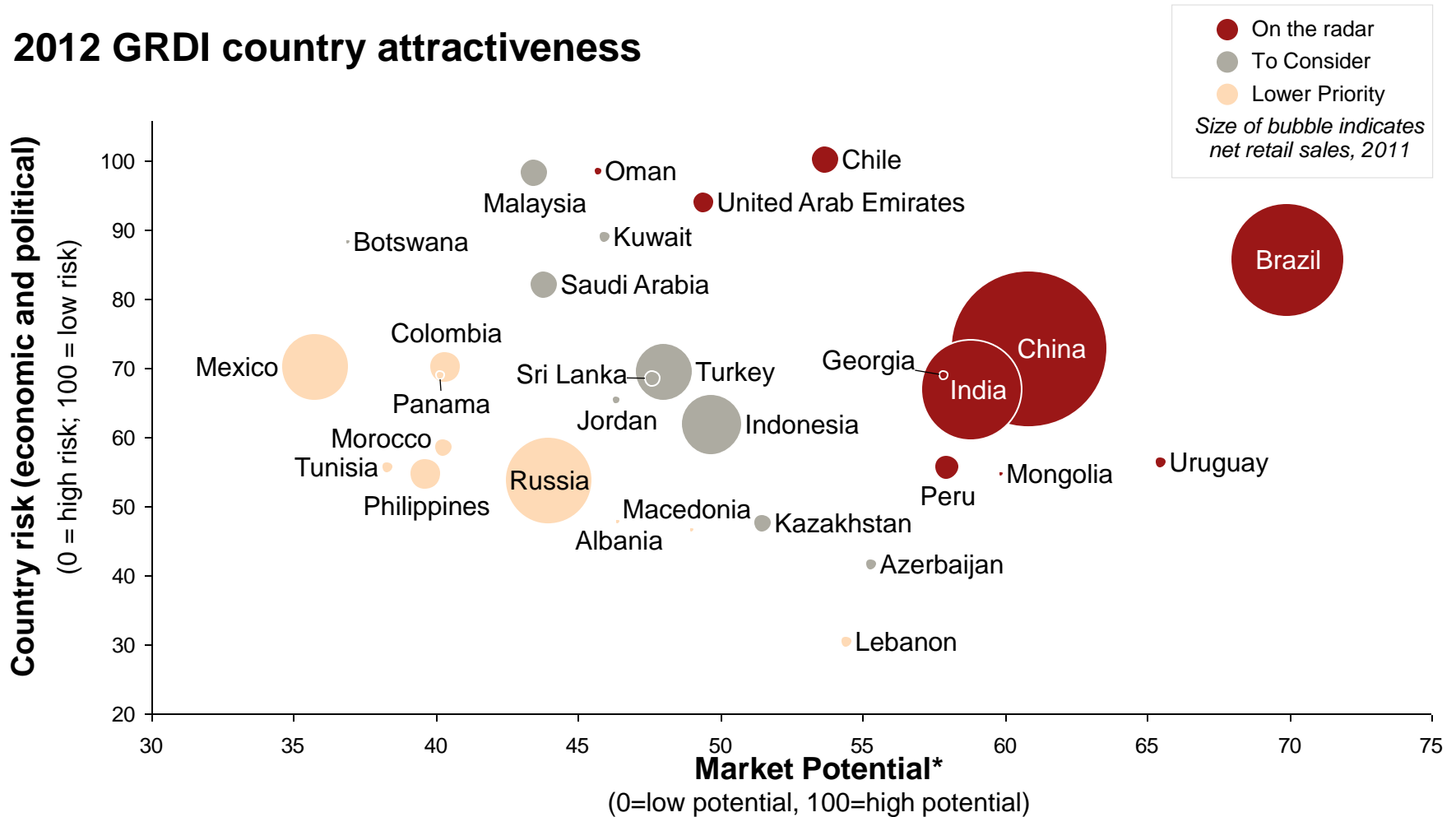
(1) 2011 rankings have been updated as "Planet Retail has made changes to certain data points as a result of the continued evaluation of its dataset in light of recent macroeconomic fluctuations, and volatility in certain markets."

# The GRDI windows of opportunity



# The GRDI measures market potential against risk of emerging markets

## 2012 GRDI country attractiveness



\* Based on weighted score of market attractiveness, market saturation, and time pressure and time pressure of top 30 countries  
Source: Planet Retail, Economist Intelligence Unit



# The top three destinations show great promise for international expansion

## Brazil



### ■ Macroeconomics

- GDP/capita CAGR (07-11): 3%
- Retail Sales/capita: \$5,514
- MGD Sales Area CAGR (07-11): 9%

### ■ Key Highlights

- Top of the GRDI ranking for the second year in a row
- Entries include Topshop, Sephora, Lanvin, Debenhams
- Starbucks expected to double store count to 64 by end of year
- M&A activity in drugstores sector; high growth in convenience format and grocery sector

## Chile



### ■ Macroeconomics

- GDP/capita CAGR (07-11): 2%
- Retail Sales/capita: \$4,388
- MGD Sales Area CAGR (07-11): 13%

### ■ Key Highlights

- Number two on the GRDI for the second consecutive year
- Sophisticated and competitive retail market
- Walmart expanded 35 stores in 2011, in smaller convenience and hypermarket formats
- The Gap chose Chile as the first market to enter in South America

## China



### ■ Macroeconomics

- GDP/capita CAGR (07-11): 9%
- Retail Sales/capita: \$1,464
- MGD Sales Area CAGR (07-11): 13%

### ■ Key Highlights

- Moved up three spots on the ranking to #3
- Largest market for Inditex outside of Europe: opened 132 stores last year
- Biggest market for luxury goods: LVMH to expand 20-30 more stores in 2012
- Large global grocery retailers expanding to Tier 2, 3 cities

# 2012 Retail Talent Index

2012 Rank	Country	Talent Availability	Labor Regulations	Labor Cost	Score
1	Malaysia	62.8	77.9	85.7	75.0
2	China	56.5	71.3	79.0	68.5
3	Chile	66.7	56.7	68.5	65.4
4	Indonesia	51.0	55.9	84.5	65.4
5	Azerbaijan	42.1	95.9	72.5	65.0
6	India	48.5	64.2	75.6	62.5
7	Lebanon	56.1	74.8	61.4	62.0
8	Saudi Arabia	57.4	93.5	50.8	61.9
9	United Arab Emirates	67.7	94.2	39.6	61.8
10	Sri Lanka	48.7	49.4	80.5	61.5

## About the Retail Talent Index

- The Retail Talent Index is calculated by analyzing three metrics:
- Talent Availability (40 percent) This includes quality of education system and quality of management schools, secondary and tertiary education enrolment, labor force participation and brain drain
- Labor Regulations (20 percent) The labor regulation indicator includes hiring and firing practices and flexibility of wage determination
- Cost of Labor (40 percent) Cost of labor indicator includes retail salaries for an average sales associate and pay and productivity metrics. A higher score reflects lower labor cost.
- Within each metric, a country value is indexed from 0 to 100 to allow for relative comparison to be made across metrics.

# 2012 e-Commerce Index

## 2012 e-Commerce Index Overview

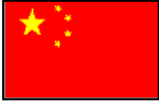


Rank	Country Name	Region	Infra-structure	Laws & Regulations	Retail Development	Online Retail Market Potential	2012 Score	2012 GRDI Ranking
1	China	Asia	56.3	54.7	57.6	100.0	78.1	3
2	Brazil	LATM	55.8	67.2	90.3	84.2	76.9	1
3	Russia	Asia	39.0	23.1	47.9	82.5	59.7	26
4	Chile	LATM	78.4	100.0	70.6	35.0	58.8	2
5	Mexico	LATM	40.7	74.9	26.4	52.7	49.7	28
6	UAE	MENA	100.0	76.8	48.8	21.6	49.6	7
7	Malaysia	Asia	78.4	79.0	45.8	27.3	48.1	11
8	Uruguay	LATM	39.7	71.4	100.0	23.1	45.2	4
9	Turkey	Europe	76.3	64.8	33.3	25.1	42.5	13
10	Oman	MENA	61.0	97.1	50.5	12.6	40.6	8

### Key Highlights

- Market size and online purchasing behavior are key factors to consider for international e-commerce expansion
- Infrastructure is “tablestakes” for e-commerce
- Domestic e-commerce players dominate online retail but tremendous opportunity exists for international players
- Many high-profile international retailers are entering through the online channel in order to learn about consumers and “brand build” without significant capital investment

# Top 3 e-Commerce Destinations

## Country Highlights

	<b>China</b> 	<b>Brazil</b> 	<b>Russia</b> 
<b>Market Facts</b>	<ul style="list-style-type: none"> <li>• Online Retail Market Size: \$22.9B</li> <li>• 5 Year Projected CAGR: 29%</li> <li>• Internet Penetration: 34%</li> <li>• Online Buyers: 32% of users</li> </ul>	<ul style="list-style-type: none"> <li>• Online Retail Market Size: \$10.6B</li> <li>• 5 Year Projected CAGR: 12%</li> <li>• Internet Penetration: 41%</li> <li>• Online Buyers: 30% of users</li> </ul>	<ul style="list-style-type: none"> <li>• Online Retail Market Size: \$9.1B</li> <li>• 5 Year Projected CAGR: 12%</li> <li>• Internet Penetration: 43%</li> <li>• Online Buyers: 25% of users</li> </ul>
<b>Domestic Retailer Activity</b>	<ul style="list-style-type: none"> <li>• 360Buy and Suning Egou, top domestic e-commerce players, expand their assortments from consumer electronics to sell mass merchandise</li> </ul>	<ul style="list-style-type: none"> <li>• Magazine Luiza, a consumer electronics retailer, pays commissions to customers who open “Luiza” stores on Facebook</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic retailers are trying to build consumer confidence in the online channel                             <ul style="list-style-type: none"> <li>- Ozon has a 24/7 call center for online customer queries</li> <li>- M-Video offers a 5% rebate for online orders</li> </ul> </li> </ul>
<b>Int'l Retailer Activity</b>	<ul style="list-style-type: none"> <li>• Neiman Marcus enters via acquisition of Glamour Sales, a Chinese fashion website</li> <li>• Argos partners with Haier to leverage Haier’s franchise network to fulfill online orders</li> </ul>	<ul style="list-style-type: none"> <li>• Victoria’s Secret and the Gap establish Brazilian websites and enter through the online channel</li> <li>• Sephora (parent company LVMH) enters via acquisition of Sack’s, Brazil’s leading online beauty retailer</li> </ul>	<ul style="list-style-type: none"> <li>• Limited</li> </ul>