



# Top 5 Retailing Industry Trends

*By Country in North and South America*

Argentina

Bolivia

Brazil

Canada

Chile

Colombia

Costa Rica

Dominican Republic

Ecuador

Guatemala

Mexico

Peru

United States

Uruguay

Venezuela

# Argentina

## Supermarkets go smaller

Recent developments in the Argentinean economy have led to consumers spending less per shopping trip, resulting in more frequent visits to retail outlets. Supermarkets sensed this change and are shifting their focus to smaller and local outlets. 2013 saw some activity in mergers and acquisitions between big names in grocery retailing such as Carrefour buying Eki.

## Banks dumping credit card discount affects electronic retailers

Credit driven consumption in consumer electronics has seen a decrease after years of consistent growth. Banks are moving away from the credit cards business due to an increase in costs, particularly labour costs, affecting retailer profitability. As a result, banks and retailers limited their special discount and promotional offers linked with credit card purchases, or renewed them for a shorter period.

## Traditional retailers: Kiosks and Chinese-owned supermarkets

Argentina has the largest number of kiosks per capita within the Americas region, with one for every 400 habitants and just over 100,000 kiosks across the whole country. In the independent small grocer's category, "mom and pop" stores are being taken over by small outlets commonly referred to as "Chinese supermarkets." These Chinese-owned independent small grocers benefit from a common wholesaler platform and take advantage of the increasing demand for smaller sized neighbourhood outlets.

## Home and garden retailers benefit from foreign currency restraints

With the actual inflation rate reaching 25%, compared with the official rate of 10%, one way to preserve hard currency value in Argentina is through real estate, and one way to grow capital is to build. As the general population is not able to save in hard currency, they choose to improve their homes, traded in US dollars in Argentina, boosting sales of home and garden specialists, even in a deteriorating economic climate.

## Optical goods stores performing well

Local chained retailer +Vision is looking to expand store numbers by more than 100 in the next three years, becoming the main player in the optical business. Optical specialists are increasing their presence, growing faster than chemists/pharmacies and parapharmacies/drugstores, and taking a larger share of the health and beauty trade.



# Bolivia



## **Increasing average disposable income boosts middle-class interest in modern grocery channels**

A positive economic performance helped the middle class to grow, boosting the performance of supermarkets and hypermarkets significantly, along with other modern retailers. Consumers with greater disposable incomes and busier lifestyles are increasingly opting to shop at modern grocery channels attracted by consistent quality, greater variety and the ability to save on unit price when purchasing larger pack sizes. Despite this shift, open markets continue to be the primary channel for low-income consumers to purchase smaller quantities of lower quality goods that fit their budgets.

## **Electronic specialist retailers start offering convenient credit options**

Only a small segment of the population in Bolivia currently uses credit cards and most low-income consumers do not even have a bank account. Tienda Amiga, an electronic specialist retailer, offers a special payment option for customers in order to capture a larger consumer base to expand sales. Traditionally when Bolivians want an expensive product, they take out a loan to cover the price. Tienda Amiga now offers its own loans, approved within 24 hours, allowing customers to make purchases quickly without using other providers.

## **Local legislation in La Paz limits expansion of parapharmacies outside health and beauty offerings**

Since there are no chained convenience stores in Bolivia, parapharmacies are increasingly taking advantage of their prime geographic locations to expand their product offering, attending to busy consumers looking for quick one-stop purchases. However, parapharmacies in La Paz are limited by law to selling products only positioned within beauty and personal care and consumer health. This in turn limits the opportunity to sell any other products like food and drink, unlike in many other cities or countries in the region, hurting their prospects to take advantage of this convenience trend.

## **Governmental push for stricter regulation and taxation of retailers**

In order to reduce contraband within the country, local authorities are promoting the taxation of open markets and street vendors as a way to limit tax evasion and contraband. These markets represent one of the main retail channels within the country and the use of taxation might have a profound impact on the future of retailing in Bolivia. In response to the proposals, riots have occurred in the country, along with demands for the resignation of the head of the customs office. If approved, new tax initiatives could have a wide-ranging impact on the core of Bolivia's retail landscape. However, the scope is likely to not be drastic and implementation and enforcement will still remain a major hurdle for the government.

## **Chained modern channels focus on convenience through guaranteed product availability and ease of payment**

The modern retailing channel continues to increase significantly in the country, offering guaranteed product availability and lower prices. For example, chained pharmacies offer lower priced products compared to independent open markets and wider product availability. Some offer loyalty programmes, which attract consumers as they have the opportunity to collect points to get a reward when a certain number is reached.

# Brazil

## Retailing cools down in Brazil

After the strong performance experienced in the past five years, retailing is anticipated to show moderate growth in 2013. The industry was severely impacted by slower GDP growth, which is forecast to be around 2%, and high inflation that was pushed up by rising prices of certain commodities like tomatoes, soy and milk, and pressured by the cost of labour. There was an attempt by the government to reduce price rises by reducing taxation on products such as consumer appliances and home furnishing, and reducing taxes for energy and labour. Nevertheless, this is not expected to have a major impact on retailing.

## Further access to products through instalment plans

Brazil has amongst the highest taxation rates in the world, pushing unit prices of consumer goods and services higher compared to other countries. To expand the consumer base and widen access to certain products, in particular amongst low and mid-income brackets, retailers have invested in "crediário" or instalment plans, a trend initiated by leading electronics and appliance specialist retailer Casas Bahia. It is very common for people to purchase consumer goods paid for in up to 24 instalments depending on the store and type of product, from grocery to cosmetics, apparel and luxury products. This practice has become more prominent with the growth of the aspiring middle-class and the number of people owning a credit card.

## Internet retailers in Brazil face tough competition from international e-commerce companies

Internet retailing is the fastest growing channel within retailing, attracting investment from brick-and-mortar retailers including Walmart and Casas Bahia, and the entry of pure e-commerce players like Dafiti, Farfetch and Privalia. Despite the wide range of players and the growing product assortment of e-commerce websites in Brazil, domestic sites are still failing to make an impact. Consumers have increased purchases from international internet retailers, especially US and Chinese-based sites, due to their lower unit prices compared to Brazilian sites and the wider variety of brands despite long delivery times.

## Luxury retailers maintain strong investment in Brazil

The economic slowdown has not reduced investment or expansion of luxury and upscale companies into Brazil or led to less interest from consumers. Although such players are more cautious about the development of the Brazilian economy, continued investment is expected in the near future as they foresee a positive outlook. Sephora is one high-end beauty retailer with plans to expand the number of stores in Brazil with five opening in 2013. The most recent, at Shopping Eldorado in the city of São Paulo, is the largest in the country. Swarovski also has aggressive plans to open new outlets through a franchise system.

## Social commerce: Consumers become brand representatives

Growth in the number of people who access social media has pushed retailers to use this channel as an opportunity to promote products. In Brazil, an estimated 80% of people with an internet connection have a social media account. Facebook is the most popular, with more than 73 million users. As a result, Magazine Luiza, an electronics and appliance specialist retailer, developed "Magazine Luiza e Você" ("Luiza and You Magazine"), enabling employees to promote products through social media. A sales consultant generating a sale through their personal link can earn commission ranging from 3% to 5% of the price of the product.



# Canada



## Dynamic retailing competitive landscape spurs acquisition

Canadian retailers are becoming more active, spurred by the aggressive push of US retailers and on-line shopping into Canada. Mergers and acquisitions are becoming more pronounced as domestic retailers seek to reduce the cost of operation, pool resources for capital development, and enter channels with more growth potential. Recent moves include the largest acquisition in Canadian retail history, Loblaws Cos acquisition of Shoppers Drug Mart, bringing together the largest Canadian grocery retailer and the largest Canadian drugstore chain. Furthermore, in mid-2013 Canadian Hudson Bay announced its bid for the US-based Saks, with the intention of bringing the US iconic luxury brand to Canada

## Affordable luxury shapes new retail concepts

A more active luxury marketplace in Canada and growing consumer appetite for luxury, including mid-range luxury and diffusion brands, are encouraging new store concept developments, often geared towards younger urban middle-class demographic. For example, Holt Renfrew, the leading luxury department store in Canada, and its new H2r store, focuses on apparel, accessories and jewellery in mid-range/lower priced items from the same designers that supply traditional Holt Renfrew stores.

## Smaller is better to fit urban lives

Increasing urbanisation, accompanied by the growing shortage of space in urban areas, is encouraging more experimentation with smaller urban store formats. Examples include Walmart Canada's Urban 90 outlets and, more recently, a new discount small-store format opened by Loblaws in Calgary in 2013.

## Rise of ethnic grocers

The continuing rise of ethnic neighbourhoods, driven by ongoing immigration into Canada, has encouraged the rise of ethnic retailers. Grocers in particular have forced mainstream retailers to re-think their merchandising strategies to respond better to ethnic shoppers' demands and preferences. Aside from the expansion of ethnic supermarkets and the acquisition of ethnic chains by mainstream retailers, the latter are also investing in dedicated category teams to manage ethnic products and research to better understand the ethnic shopper.

## Cross-borders shopping loses its appeal

The lower value of the Canadian dollar and reduced import tariffs on a number of consumer goods in Canada should translate into better pricing for consumers and keep more Canadians shopping in Canada as opposed to crossing the border into the US on dedicated shopping trips. The trend towards more shopping at home might be further encouraged by a more competitive retailing landscape, more aggressive activity on the part of domestic retailers such as introducing "Black Fridays" in Canada, and an increase in dedicated Canadian shopping sites and virtual stores.

# Chile

## Strip malls' success in urban areas across Chile

Strip malls have become one of the most popular formats for the retailing industry in Chile. These are located in residential neighbourhoods and usually contain a parapharmacy, a convenience store and a beauty specialist, besides services such as bank branches and consumer foodservice outlets. This format is widely spread in the metropolitan area of Santiago and in the most important and second tier cities of Chile.

## Convenience stores set to become a key grocery channel

Convenience stores experienced a boost with the opening of new stores and are expected to grow into one of the top grocery retailing formats in Chile. The outlets are mainly located in the metropolitan area of Santiago, particularly in the wealthier neighbourhoods of the eastern side of the city. Busier lifestyles are favouring the development of the convenience format in the country.

## Shopping centres: The new social public space in Chile

People are turning to malls not only for shopping, but also for leisure, spending quality time with their families and meeting friends. Almost all major cities have a shopping centre with the largest ones located in Santiago registering around four million visitors per month.

## Optical goods stores aim to increase Chileans' spending on optical goods

Per capita expenditure on optical goods is around US\$20 in Chile, which is far below the average of other OECD countries at around US\$80. Prescription products currently account for 75% of sales, and companies are aiming to drive growth in non-prescription items such as sunglasses and cosmetic glasses, as well as to engage more consumers in the acquisition of prescription glasses.

## Apparel internet retailing reaches its tipping point in 2013

Apparel internet retailing is set to become significant over the forecast period. In 2013, several apparel specialists in internet retailing started operations, increasing competition in the channel. The improvement of the distribution chain is a key issue for apparel internet retailing, particularly delivery times and the methods used to exchange products.



# Colombia

## Large luxury potential in Colombia

The luxury goods category is growing quickly in Colombia, especially for apparel, jewellery/watches and bags and luggage specialist retailers, with new brands including Coach, Tag Heuer and Dolce & Gabbana expected to arrive soon. This is due to the increasing purchasing power of Colombians, consumer awareness of global brands and trends and improved credit offers, such as Sterling Joyeros's new credit card allowing 12 months interest-free payments and can be used in other stores, including Carolina Herrera and Bvlgari. In addition, the increasing presence of Venezuelan entrepreneurs in Colombia, which are seeing a stable market to open luxury franchises, is influencing the luxury market.

## Good value grocery expands in Colombia

In March 2013, Ara, a discounter chain from Jerónimo Martins, opened stores in Colombia with their low prices well received by customers. They were established first in mid-sized cities and then in middle and lower income neighbourhoods of larger cities. The discounter D1 has followed a similar expansion strategy. Grocery retailers focusing on low prices target an important segment of the population - the low and middle-income segments - and are likely to affect competition in the modern channels, as they will contribute to keeping price increases small within the different categories in which they compete.

## Tienda Fucsia, a new internet concept mixing retail and media

Tienda Fucsia is an online store for women, belonging to the women's magazine Fucsia, offering exclusive designer apparel and accessories that appear in the different editions of Fucsia magazine. The pieces are selected by the editors of the magazine and offer tips on outfit combinations or for which occasion they are appropriate. The online store has good potential, based on the rapid expansion of online sales through the exclusivity of the offer and prices that are between mass and luxury products.

## Department stores have significant potential for growth

Department stores offer amongst the highest potential for growth over the next five years, with only convenience stores ahead in expected outlet growth. Chilean players, led by Falabella FACL, have important expansion plans in the country, among which is the opening of a flagship department store of 15,000 sq. m in 2014-2015 under the Falabella banner. Others, like Ripley, which arrived in 2013 and opened three stores during April, plan to have 20 stores by 2023, and have already specified the next seven locations for stores to open in the next two years. This demonstrates confidence in the long-term prospects of the Colombian market, despite the slowing Colombian economy.

## Independent small grocers rule grocery

In Colombia, independent small grocers account for approximately a third of sales of grocery retailers, and are deeply rooted in Colombian culture. They are present all over the country and sales of food through this channel account for almost half of packaged food sales in Colombia. They offer informal credit with no interest, and small formats adapted to limited weekly budgets. The recent development of convenience stores represents only a minor threat to traditional retailers, as they are so far limited to middle and high-income areas, while independent small grocers cater to the much larger low-income population.



# Costa Rica

## Larger discounters and convenience stores emerge as the best performers in 2013

Given the adoption of modern lifestyles and the level of segmentation observed within the retailing industry in Costa Rica, locals continue looking for the best value for their grocery shopping needs, often willing to combine different channels and formats depending on the consumption occasion and value offering. As a result, modern grocery retailers have gained momentum in Costa Rica, particularly the good service and accessibility consumers find from convenience stores and the low prices and strong product assortment available from discounters.

## Local shoppers continue to search for value for money in 2013

The negative perception of the Costa Rican economy and the increased use of mobile devices, amongst middle-income consumers are making traditional purchasing decisions, even in the case of grocery goods, more value-oriented. In such a scenario, even upper income buyers are more actively interested in finding the right value offer for their needs, often looking for savings and the right combination of value and functionality from specific goods.

## Grocery retailing oriented further towards modern formats; non-grocery retailing continues to see the development of new commercial plazas

While grocery retailing continues to benefit from the preference for modern grocery channels, non-grocery activity continues migrating to malls and smaller commercial plazas. These new commercial developments are capable of offering high traffic stores as anchor outlets, helping complementary stores increase their brand awareness among local potential buyers. Given increasingly hectic modern lifestyles, the value derived from the proximity and opening hours of modern retailing concepts helps guarantee the success of these commercial developments, which carefully segment their potential client needs to offer them the right combination of convenience and the value they demand.

## Bigger competitors continue consolidating their competitive positioning

Given the high levels of competition and the further orientation towards price-based value offers, smaller independent retailers are finding it hard to keep pace with bigger chained outlets and international franchises. Independent stores are particularly suffering, due to the advantages in marketing and economies of scale that the most consolidated local and international retailers have when targeting local shoppers. As a result, major global competitors such as Walmart, continue strengthening their position within the country, using deeper segmentation levels to reach lower and upper income consumers and taking advantage of their strong negotiating power to obtain significant purchase savings often passed on to customers.

## Retailing activity expected to keep pace with GDP growth over the forecast period

Over the forecast period, it is anticipated the retailing market will continue growing at stable rates. Store-based retailers should remain very close to the increase in GDP for the local economy. Non-store retailers are predicted to experience a more dynamic performance, mainly driven by the rapid adoption of online retailing and the further penetration of direct selling.





# Dominican Republic

## Fiscal reform slows down the economy: the lowest GDP growth since 2003 banking crisis

The largest ever-fiscal deficit in the history of the Dominican Republic occurred in 2012, at 6.6% of GDP, in spite of massive spending cuts from September 2012 onwards. As a result, an austerity plan was announced, with higher VAT rates for consumer goods and services, which was implemented during the fourth quarter of 2012 and the first quarter of 2013. Consequently, GDP grew at its slowest pace since 2003 with 0.3% growth during the first quarter of 2013. Retailing suffered particularly. The fiscal reform has caused consumers to buy less in general, with declines in all channels.

## Internet retailing to intensify its challenge to store-based retailing channels

Internet retailing grew very rapidly in the review period, causing concern for store-based retailers in non-grocery channels. Most internet retailing sales are directly from US retailers, through Dominican couriers. As a result, internet retailing has what has been cited as an "unfair competition" advantage for items below US\$200, as these items do not incur VAT or customs duty, thus commanding a 38% cost advantage. The store-based retailers' lobby failed to eliminate the VAT exemption during deliberations on the last fiscal reform bill. In addition, 2013 saw a new Dominican internet retailing model that allows consumers to buy products from all major US websites while having an interface in Spanish, the ability to pay in cash by bank transfer or credit card, and getting delivery at pick up points throughout the country or at home.

## Shifts in consumer landscape favour grocery retailers

An increase in fast-paced urban lifestyles has led to more consumer interest in finding everything they need in the same place, thus favouring one-stop shopping, a core aspect of many modern grocery retailers. This trend has been reinforced by a significant increase of selling space availability in the modern channel. The recent economic slowdown has also increased the turnover of grocery retailers at the expense of non-grocery retailers, as consumers are more focused on satisfying their immediate needs for grocery items, while being more reserved in their purchases of less-essential non-grocery items.

## Organized grocery groups in continuous and changing turf war

Grocery groups continue their fierce race to capture the best locations in large and certain small-sized cities. The race so far has been mainly in hypermarkets, where some saturation has begun to occur. This channel has seen store openings in ever-smaller cities - for example, a hypermarket recently opened in a small city of 62,000 inhabitants in a rural environment with rather low purchasing power. There are signs that supermarkets, a still fragmented channel with several banners with dispersed positioning, will become the next battleground for organised grocery retailer competition. Convenience stores, hampered in their development by ubiquitous small independent grocers (colmados), have yet to see significant countrywide expansion.

## Resilience of traditional grocery retailing

In spite of increasing operating costs, security issues and ever-increasing competition from organised grocery groups, colmados have some variables playing to their advantage, such as widespread tax evasion, which will be affected to some extent by a new lump sum tax, and offer diversification. This diversification includes delivery services, credit for customers and, since mid-2013, the possibility of providing financial services as banks' sub-agents. This should allow them to maintain stable sales in constant terms during the forecast period, despite the channel's maturity and lack of innovation.



# Ecuador

## Growing purchasing power improves retailing sales performance in 2013

Retailing sales in Ecuador grew faster in 2013 than the average for the review period in current value terms, due to improving macroeconomic conditions from expanding oil production, and the implementation of a number of government-led programmes to reduce poverty and lower the unemployment rate. This has encouraged retailers to expand their outlets to lower income neighbourhoods and the fast-growing outskirts of the country's major cities to cater to the growing middle class.

## Urbanisation: the key to store-based retailing growth

Urbanisation and economic growth are the most important drivers of retailing growth in 2013. Improved economic conditions have led to an increase in retail sales, driven by more specialised grocery shopping, as well as demand for value-added products such as electronics and appliances. With better living standards, consumers from all socioeconomic groups have been able to own their own houses most notably among middle, middle-low and low-income groups, which has increased the need for channels such as home and garden specialist retailers. Additionally, the rapid enlargement of urban areas throughout the country has led to new neighbourhoods with no quick access to grocery retailers, leading to expansion opportunities for modern and traditional retailers and fierce competition to attract these formerly neglected consumers.

## Grocery's importance remains, but non-grocery continues growing

In general, an increase in total income increases the likelihood of a larger proportion of spending on non-grocery products. The annual increase in minimum wages, plus other factors such as the increase in 2013 of the welfare payment (Bono de Desarrollo Humano) from US\$35 to US\$50, has helped increase sales of non-grocery retailers faster than grocery retailers. As the largest part of the population, low and low-middle income groups are moving away from simply purchasing necessities such as food. The availability of credit from financial institutions and retail firms has allowed these consumers to increase their expenditure on electronics and appliances, beauty and personal care products and apparel.

## Strong competition led by local companies

In grocery retailing, Corporación Favorita CA, Corporación El Rosado SA and Tiendas Industriales Asociadas Tía SA are enacting large and ambitious expansion plans. Large shopping centres were built in 2013, as Tía (with Plaza Tía) and Corporación El Rosado (with Ciudad El Dorado) hope to draw consumers in more far-flung areas that traditionally lack grocery options. At the other end of the spectrum, smaller formats have also proved popular, as they enable faster growth and less investment, and fit in crowded urban areas. Corporación Favorita created Súper Akí, while Tía kept expanding its Tía Express outlets in the country's main cities in 2013.

## Positive performance expected in the forecast period

It is expected that forecast retailing sales will grow faster than in the review period, as purchasing power continues to expand among lower income consumers. Other factors behind the strong growth include financial, political and legislative stability, which will allow consumers to sustain the improvements in their living standards that have occurred since the end of the financial crisis. This will have an expected benefit for modern grocery retailers and certain non-grocery retailers, such as media product stores, which will profit from an enlargement of the country's middle class.



# Guatemala

## Retailing shows strong performance in 2013

Guatemala's economy has recovered from the impact of the worldwide economic downturn and become more stable. Remittances from the US have increased, which is still the most important driver of wealth in the country. Consumer confidence is also increasing, along with disposable incomes, benefiting the retail industry. These factors have resulted in surging current value growth in retailing in 2013, which, given consumers' expanding purchasing power, has allowed for a healthy expansion of the industry from its doldrums during the financial crisis.

## Shopping centres being built in Guatemala are important drivers for the industry

As Guatemala's economy has become more stable and confidence has increased among consumers and investors, the country has witnessed a boom in shopping centres to capture this demand. Construction has centred on Guatemala City and its outskirts. For example, in the last few months of 2012 and first half of 2013, four new shopping centres were inaugurated in Carretera a El Salvador. These shopping centres house several types of retail establishments, including both grocery retailers and non-grocery retailers, as well as restaurants, and are targeted at the growing population of Carretera a El Salvador, which consists largely of middle-to-upper income families.

## Non-grocery retailing outpaces grocery retailing in 2013

In 2013, the non-grocery retailing channel registered a stronger value growth rate in current terms than the grocery-retailing channel. Non-grocery retailers are constantly searching for market niches through which they can satisfy consumer needs, such as the growing luxury channel in Guatemala City targeting upper income consumers only. There is also more innovation found in non-grocery retailers, since grocery retailing is more mature. Apparel specialists have taken the lead in expanding interest in non-grocery retailing offerings, with companies such as Megapaca and Bullock's emerging as fast-growing options among the emerging urban base of low-income consumers.

## International and domestic companies both strong in retailing

The retailing market in Guatemala has a strong presence of both international and domestic companies. Walmart Centroamerica SA is the leading retailer, with participation in several grocery formats, such as hypermarkets, supermarkets, discounters and warehouse clubs. The company entered the Guatemalan market by purchasing the majority of shares of domestic supermarket chain Paiz. Domestic companies, like Unisuper SA, which also owns two supermarket chains, and Fábrica de Bebidas Gaseosas Salvavidas SA, a direct seller of purified water, have managed to stay strong in the market by being innovative, and offering good quality products and excellent customer service.

## Strong performance expected over the forecast period

The retailing market is expected to register a strong performance in the forecast period, mirroring expected growth in the Guatemalan macro-economy. Internet retailing is expected to register the strongest constant value growth, as internet access will continue to expand outside the city centres. Additionally, the strong penetration of mobile phones throughout the country, with many offering internet service through smartphone technologies, is creating a significant opportunity for internet retailing growth, since more people will have the ability to shop for products online.



# Mexico

## Mambo - a new convenience store chain with a wider product assortment

Convenience stores have registered a fifth consecutive year of double-digit growth due to the rapid expansion of OXXO, which has opened an average of three new stores per day, and now carries many private label products. This rapid expansion has encouraged the entrance of new players, including Mambo, whose differentiation strategy is to have a wider assortment of about 5,000 products, including stationery, ironmongery, toys and fresh food. To speed its expansion, Mambo is selling franchises. One of its targets is small independent grocers "tienditas", under a conversion scheme.

## Potential of pharmacies encourages investment

The pharmacy channel has seen some recent significant developments. Among them is the entrance of FEMSA, the OXXO convenience store owner, with the acquisition of Farmacias Yza, a 300-store chain. Walmart, for its part, is developing a new concept of standalone pharmacies called Medimart Farmacia, offering a more convenient purchase experience by placing the pharmacy out of the store and attracting consumers who do not want to go through the whole store for medicine. Finally, Farmacias Guadalajara, the leader in parapharmacies/drugstores, has decided to expand to Mexico City, giving it a stronger competitive position.

## Grocery internet retailing showing accelerate growth

Grocery internet retailing saw outstanding growth of 83% in value in 2013, with much of this growth attributed to working urban women with busy lifestyles, who find on-line grocery shopping convenient. The high growth rates are from a small base; nevertheless, the channel will continue expanding to become more significant. One of most dynamic players is Superama (Walmart) whose new mobile app was given an e-business award by CNNEExpansion, thanks to its user-friendly design allowing consumers to add products from a list or by scanning them from their pantry.

## Coca-Cola's "refreshment centre" causes interest among consumers at Mexico City downtown

Coca-Cola recently opened a new store concept on a high pedestrian traffic street in Mexico City. People can buy beverages on-the-go or take a seat to drink Coca-Cola products, including carbonates, water, juices and even coffee. Freezers offer frosted carbonates, something appreciated by hot pedestrians and tourists. Currently, there is only one "refreshment centre" but the company might open a new store very soon as consumers find the concept original and interesting.

## Sanborns variety stores offer a large range of products

Sanborns, the leading variety store chain, is a sort of a mini department store with small sections that include books and magazines, jewellery, watches and personal accessories, video games, music and movies, pharmacy, beauty products, technology, toys, tobacco, and even freshly baked cakes. Sanborns has a dedicated employee and a counter for each department, where consumers can easily ask for help, and pay without joining a long line at a centralised counter. The company targets mid and high-income consumers.

# Peru

## Discounters caught between cheaper independent small grocers and higher end supermarkets

Sales of discounters in Peru continue to decrease, continuing the poor performance of the last five years. Generally, discounters offer low-priced products to target low and middle-income consumers. However, low-income consumers tend to prefer independent markets due to their lower prices. At the same time, middle class consumers tend to go directly to supermarkets when disposable incomes rise, skipping the discounter channel. In order to solve the issue, discounters are being transformed into supermarkets. Supermercados Peruanos closed five of its discounter outlets to re-open them under its supermarkets banners

## Cencosud pursues its expansion in department stores

Due to the low department store penetration in Peru and the strong performance of the economy, Paris recently opened its second department store in Lima in May 2013. The first store opened in Arequipa in March 2013, and represents the anchor point for expansion in the country and other provinces. It is expected that Paris will open new stores in Lima, along with other cities, such as Ica and Cajamarca, increasing its overall penetration in the country.

## Smaller formats more cost-efficient

During the last five years, square metre prices have risen significantly in the country, increasing costs for retailers. In the provinces, prices are lower, and large area outlets are not necessary to cover the population. Consequently, smaller outlets are increasing in number faster than larger formats. This is reflected in supermarkets' growth rate being faster than that of hypermarkets.

## Cyberperu and Cybermonday initiatives to attract consumers online

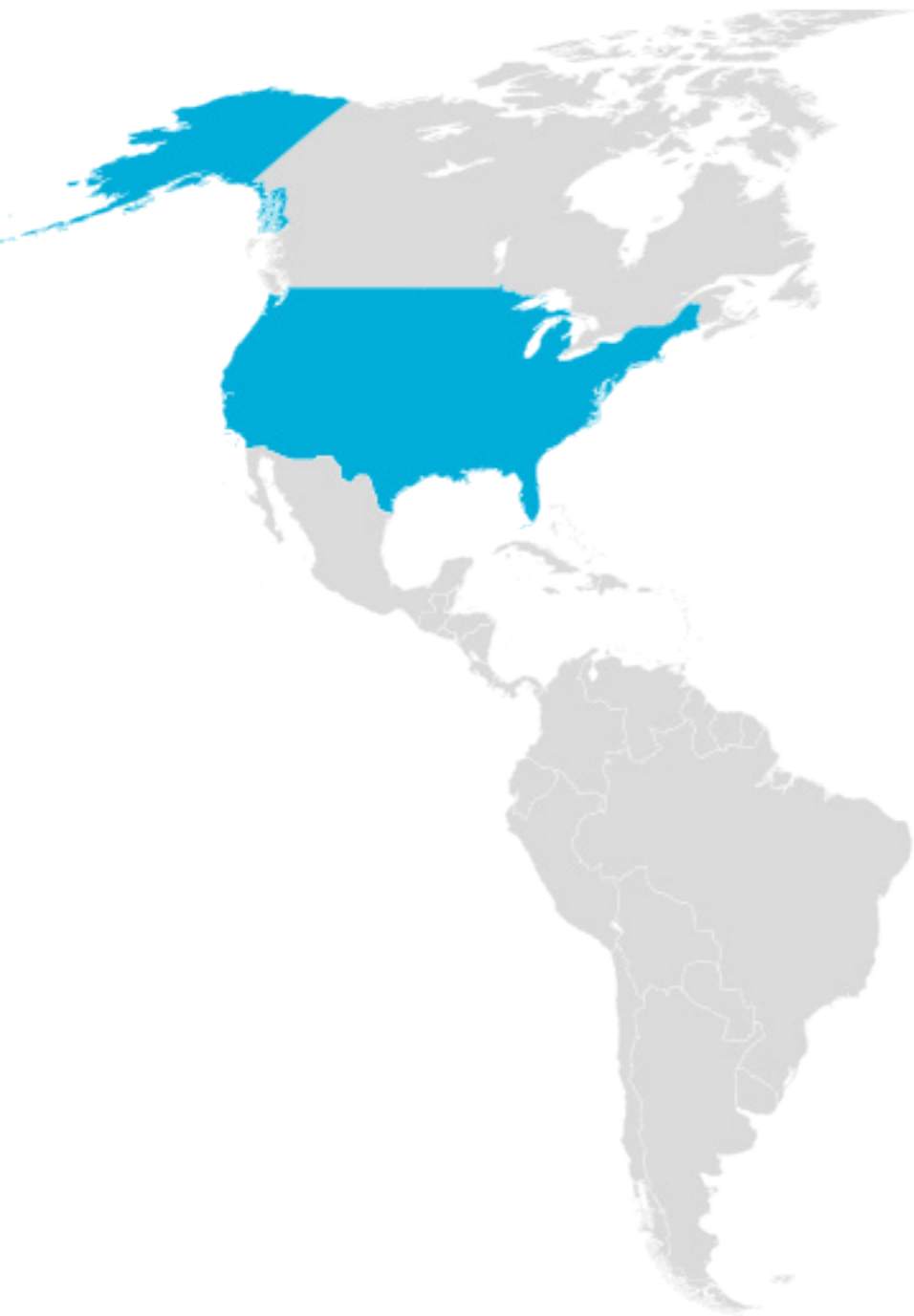
Consumers do not trust online shopping, and to change this, the Camara de Comercio de Lima (Lima Chamber of Commerce) is promoting the use of online outlets and purchases. For example, the chamber persuaded different retailers to do their own versions of Cybermonday, with Falabella managing to triple its sales through this initiative. Currently there are two main events to promote online shopping - Cyberperu and Cybermonday.

## Higher disposable incomes and urbanisation boost internet retailing

Peru's small internet retailing market is growing at a rapid pace, albeit from a small base, due to the rising purchasing power of Peruvian consumers, improved access to credit cards, strengthened online security and the rising number of broadband internet subscribers. Moreover, the busier lifestyles of Peruvians also is positively impacting the development of this channel, as consumers are increasingly seeking convenience and time-saving ways to shop.



# United States



## Grocery consolidation

There has been considerable activity in the grocery business in terms of mergers and acquisitions, leading to consolidation within the industry. Kroger purchased Harris-Teeter in an attempt to expand its store base into the southeastern US, and increase its presence in higher end fashion, as Harris-Teeter is a more premium retailer. Cerberus Capital purchased the Albertsons, Acme, Jewel-Osco, Shaw's and Star Market stores from Supervalu. Cerberus already owned a number of Albertsons stores. Bi-Lo Holdings purchased the Sweetbays, Harveys and Reids fascias from Delhaize America.

## US housing recovery and home stores linked

The US housing market and the overall economy continues its slow recovery after the financial crisis, and this is having a major effect on stores in the home and garden and home furnishing channels. Renewed consumer confidence and low interest rates are increasing new home development and home related purchases. The benefits of this are being felt by home improvement stores, such as Home Depot and Lowes, as well as home furnishing stores like Bed Bath and Beyond, and Ashley Home Furnishers.

## Amazon starts to get serious about groceries

After spending over five years testing its AmazonFresh service in the Seattle area, Amazon has begun to roll it out to more locations across the country, starting in Los Angeles in July 2013. AmazonFresh costs US\$299 a year and is currently only open to Amazon Prime members. The service includes a 90-day trial period. While limited geographically for the moment, rumours suggest that San Francisco may begin to receive the service by the end of the year, and it is possible that 20 more locations could have AmazonFresh by the end of 2014. It remains to be seen if Amazon intends to use the grocery service as a loss leader in order to get customers to bundle their other orders with the grocery service, or if it thinks it can earn a profit on groceries alone

## Mobile commerce continues to grow

Mobile commerce has become a significant area of internet commerce and it is only expected to grow in the coming years. Home Depot reports that sales from mobile devices doubled in the past year, and internet and home shopping retailer Liberty media revealed that mobile sales were up by 95% in the US and represented 27% of total sales. Gilt - a flash deals site - reported that 25% of sales came from mobile devices, with the most expensive item sold being a US\$25,000 dollar watch.

## Office Depot and Office Max merger

Shareholders from Office Depot and Office Max officially agreed to a merger in July 2013. The two companies are the second and third largest players in the office supply channel, behind industry leader Staples. The move is intended to increase profitability and is expected to close by the end of the year. A name for the newly joined companies has yet to be released.

# Uruguay



## **Non-store retailing performs best in 2013**

Non-store retailing has outperformed store-based retailing growth during 2013, with significant increases in channels such as direct selling. Consumer electronics and video games hardware are amongst the most popular products sold through non-store retailing. While store-based dominates retailing, non-store sales will continue to see stronger growth from their current small base.

## **Slowdown in store-based sales as consumer confidence hits a low**

Retailing sales growth rates are still high, but have decelerated during the last five years. While the economy and disposable incomes continue to grow in Uruguay, general consumer confidence is decreasing, directly affecting the performance of retailing. Outlet numbers and selling space have stagnated during the last two years, with value growth rates being driven by stronger sales of higher priced products and premium brands.

## **Uruguayans shop in Argentina to take advantage of the favourable exchange rate**

Retailing sales have been affected directly by the exchange rate asymmetries between Uruguay and Argentina. Many Uruguayans travel to Argentina in order to purchase products such as food and electronics at a lower total cost than in Uruguay.

## **Online coupons re-invent the retail landscape**

Online demand aggregators, such as Groupon, Woow!, Letsbonus and Notelapierdas, have grown rapidly during the last five years, creating an opportunity for many companies to utilise this method to drive sales. Demand aggregators have managed to sell in only 24 hours such items as 20,000 alfajores, 1,600 dulce de leche cans, 1,000 tickets to Buenos Aires, cameras and cinema tickets, and are changing the way that Uruguayans shop.

## **Sports goods stores perform best amidst growing interest in health and wellness**

Leisure and personal goods specialist retailers were the best performing store-based retailers in 2013. Sports good stores outperformed many other retailers within leisure and personal goods, influenced by the health and wellness and fashion trends. Obesity is an increasing problem in Uruguay, pushing consumers to practice sports to improve their health.

# Venezuela

## **Inflation rate distorts value sales growth**

Venezuela has one of the highest rates of inflation in the world, artificially pushing value growth. While the official rate reached 23% in 2012, the actual observed inflation rate was around 30%. In order to compare Venezuela's growth with other countries it is necessary to look at it in constant terms to discount the impact of inflation. Venezuelans prefer to spend their money purchasing goods, which will not depreciate as fast as their cash.

## **Government regulation holds back internet retailer expansion**

The Venezuelan government has a law limiting internet sales to US\$400/person per year. While Venezuelans with foreign credit or debit cards can spend more, the great majority of the population is limited to this amount. Local retailers are therefore not inclined to open online stores, despite technological improvements and increasing access to the internet.

## **Currency exchange issues lead to lack of products**

From the grocery store to the traditional toys and games store, retailers regularly suffer from product shortages and do not have the goods they want to sell. The Venezuelan government limits the amount of US dollars retailers can obtain for imports, and in 2013, there has been a dearth in the allocation of these coveted dollars, meaning that retailers must limit their offer at any time to avoid running out completely. High inflation is also contributing to product shortages, as consumers tend to buy large quantities when they can afford to, fearing price increases and the product being out of stock later.

## **Discounters in Venezuela are government owned**

Discounters like Mercal were created to provide highly subsidised and price controlled products to those who cannot always afford to purchase in other locations. Only independent small grocers have more outlets within the grocery retailer channel. As a result, average sales per discounter are extremely low, as their prices are not as directly impacted by inflation.

## **Parapharmacies/drugstores perform best, as the channel adopts a convenience store approach**

Parapharmacies/drugstores are the best performing channel, as the outlets expand their product offerings to include food and drink. While convenience store development is proving challenging, with only about 70 outlets in 2013, the parapharmacies network is much larger and already in place. With over 4,300 outlets throughout the country, there is less need for retailers to invest in new construction, while the local, neighbourhood nature of those outlets fulfils the need for close to home convenient all-in-one stores.







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