

10 Years of A.T. Kearney's Global Retail Development Index™

A decade ago, as we published the first edition of the Global Retail Development Index (GRDI), we predicted that the global expansion of organized retail was going to be the big story, and so it has proven to be. The developing-market population has grown only 11 percent since 2001, but organized retail sales in developing markets has almost doubled. Developing markets now make up more than 40 percent of global organized retail sales.

Let's look at what 10 years have taught us:

Five countries. China, India, Russia, Vietnam and Chile have consistently been in the top 10 since the first GRDI (*see figure*). Population size, a growing middle class, increased wealth and consumer spending appeal are important factors. Favorable foreign investment regulations and openness to wholly owned foreign trade are also attractive to global retailers.

Four retailers. Four companies in par-

ticular owe a significant part of their success to global expansion: Carrefour, Metro, Tesco and Wal-Mart. France's Carrefour and Germany's Metro draw roughly 60 percent of their sales internationally; the United Kingdom's Tesco and Wal-Mart in the United States have also expanded rapidly, with annual international sales growth of 27 percent and 18 percent, respectively.

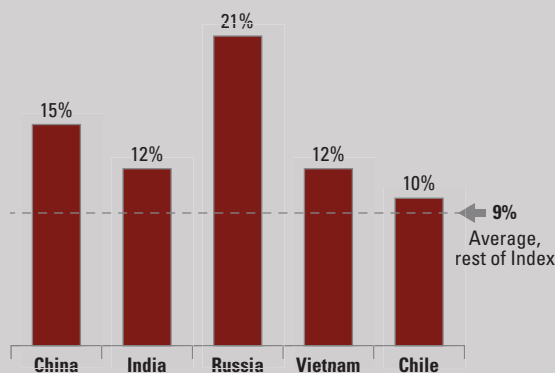
Seven lessons for success in developing markets:

1. *Market selection is both art and science.* Combine market analysis and a grasp of local requirements with an understanding of your brand fit within the market.
2. *Global expansion is a portfolio game.* Select countries with different risk and performance profiles and then allocate resources accordingly. To ensure balance, pursue markets at different stages of evolution.

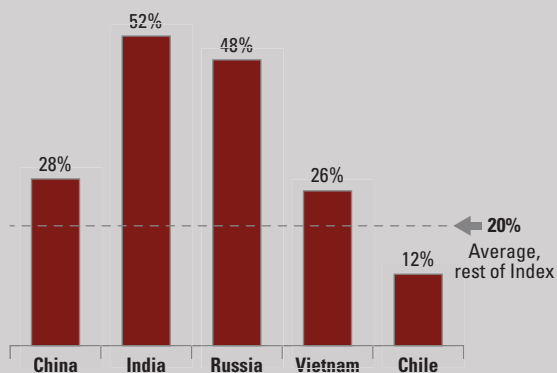
FIGURE

China, India, Russia, Vietnam and Chile have been the most consistent performers in the GRDI's 10 years

Retail spending (CAGR 2001-2010 per capita)




Modern grocery sales (CAGR 2002-2010 area per capita)



Source: A.T. Kearney Global Retail Development Index (GRDI), 10-year perspective, 2011

3. **Consumers in emerging markets are demanding.** Never underestimate consumer expectations—some have better access to infrastructure and technology than in developed markets. The key is understanding consumer requirements as they evolve.
4. **Local competition is often stronger than it appears.** Never underestimate the sophistication of domestic retailers. They are knowledgeable—not just in terms of local culture, consumers and authorities, but also in understanding how their global counterparts operate and copying their best practices.
5. **Global and national organizations are different.** If you plan to be a global player, understand where you make decisions—pricing, assortment, sourcing, format, layout, promotion. Retail is detail, but through global consolidation you can leverage your size and scale. Find the balance.
6. **Local talent is crucial.** Make hiring nationals a priority. The quicker you can get local talent running your business as they embrace your philosophy the better.
7. **Global expansion requires long-term thinking.** Take the long view. Breaking even can take three to four years, or as long as seven years. Global retail expansion is not for the impatient or intemperate.

New Challenges Every Day

Our experience over the past 10 years tells us that a surprising number of new windows of opportunity open up every year for global retailers. We anticipate that the next 10 years will be no less surprising and filled with opportunity, as South Asia and Africa fulfill their potential, as China and India reach their maturity, and as Eastern Europe and South America express their sophistication. 

For more information about the Global Retail Development Index, go to www.atkearney.com/grdi or contact hana.ben-shabat@atkearney.com or mike.moriarty@atkearney.com.

This material was prepared in conjunction with the A.T. KEARNEY GLOBAL CONSUMER INSTITUTE, a worldwide network of professionals and executives that combines proprietary and public data resources with local knowledge to deliver strategic and operational insights to executives in consumer-facing industries seeking long-term growth and competitive advantage. For more information, contact gci@atkearney.com.

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