

Year of the hypermarket

Shoppers in the Middle East should relish 2006. Not so much for yet more mega malls of even larger proportions, about which they may rightly have become blasé, but for something more mundane. And this is about choice and competition says **Simon Thomson**



Savola developing its HyperPanda format to counter the French invasion of its home market

For the first time since the arrival of the hypermarket 10 years ago and enclosed shopping malls 25 years ago, a real choice is emerging for shoppers between the hypermarket brands that typically provide the main anchor – and only staple food offer – in the plethora of malls opening and planned across the region. This applies not just to the Gulf but across Saudi Arabia and into the Levant.

Although significantly less noticeable than the ever increasing mall size, this turn of events is likely to have as much impact on the pattern of retail spending since the opening of the first shopping malls in Dubai and Bahrain in 1980.

So why should this be so? After all, the first hypermarket was brought to the Middle East in November 1995. This was by Majid Al Futtaim at Deira City Centre, Dubai with the French brand Continent to be subsequently rebranded Carrefour, following the take over by Carrefour of Continent's parent, Promodes.

For the next six or seven years Carrefour had a more or less free run, opening further outlets as anchors to their successful 'City Centre' format of shopping malls across the region or as free standing stores.

Both Kuwaiti-owned Sultan Centre with outlets in Kuwait and Oman and Monoprix of France in Beirut offered a somewhat comparable proposal but failed to develop their activities further afield in the region. Prisunic, another French brand also featured but made little broad impact. Spinneys and

Bahraini-owned Jawad, with their Tesco clone, provided two of the best examples of quality supermarkets but never really converted to full hypermarket status. The Spinneys brand since buy-out by local interests has developed its offer but this varies in size and range from territory to territory and thus lacks some overall conformity.

The first sign of change, however, occurred with the opening of the first real contender for the position held by Carrefour in the Gulf. In 2001, the first Géant, from French-owned Groupe Casino, opened its doors with some 135,000 sqft and 60 check-out counters probably the largest hypermarket in the Gulf after the first Carrefour at Deira City Centre, Dubai.

Since then Casino has seen its local partners in Lebanon, Saudi Arabia and the Gulf open Géant branded hypermarkets in Beirut, Riyadh and Dubai. Plans have been announced to rollout further stores across the region, especially in Saudi Arabia in an attempt to catch up with Carrefour's apparent \$1 billion current turnover in the Middle East.

This may be a tough task because Carrefour is not sitting on its haunches. From its initial foothold in the UAE, the brand now has upwards of 18 stores culminating in the largest hypermarket in the region at Mall of the Emirates with some 167,000 sqft including storage. It is believed to have plans for, or existing stores, in Bahrain, Qatar, Kuwait, Iran, Beirut, Cairo, Alexandria, Amman, and possibly further outlets in the UAE and an

ambitious programme across Saudi Arabia. According to Carrefour Saudi Arabia, a joint venture between Al-Olayan Group and Majid Al Futtaim Group, the company aims to launch more than 20 stores in the Kingdom over the next 10 years. Key locations already identified include the eastern Province, Buraida, Tabuk, Medina, Jeddah, Makkah, Taif and Abha.

With by far the largest population of any real spending power in the region and with improving trading regulations, it is hardly surprising, Saudi Arabia offers such a tempting prospect for these major hypermarket operators.

Géant has revealed plans for some 15 stores in the Kingdom within the next three years.

A significant step in this quest by Géant was the opening in April 2005, seven months ahead of Carrefour, of its first store in Saudi Arabia in Riyadh. This was followed later in the year by a second outlet in Al Khobar. Three more were scheduled for 2005 – In southern Riyadh, Jeddah and Qassim. Four more are due for 2006 bringing the year-end total for 2006 to nine. Groupe Casino's partner in Saudi Arabia is the Fawaz Al Hokair Group, a major retail player in the Kingdom with a significant number of retail franchises as well as real estate and construction interests.

Bahrain-based BMA holds the Géant rights for the Eastern Gulf that includes the Manama and Dubai stores.

The Beirut Géant, anchor's City Mall, the first hypermarket-anchored regional size mall

to be completed in the city and opened in the last quarter of 2004. Comprising 118,400 sqft and 40 checkout counters, it is the largest store of its kind in Lebanon. Its local partner Admic has a strong retail track record as it also runs the successful Monoprix and BHV operations in Lebanon as well as being developer of City Mall.

At one time a carve up of the market between these two fierce French rivals seemed a possibility with neither venturing into each other's territory. All this changed, however, in the spring of 2005, when Géant opened its first store in Dubai, as food anchor at Ibn Battuta Mall, the first of the so-called new wave 'mega malls'.

Although no doubt long planned, it was announced that Carrefour would be anchoring Bahrain City Centre, the huge mall being developed in Manama by Majid Al Futtain Investments (MAFI) within 'a stone's throw' of Bahrain Mall, home of the region's first Géant.

While the focus of attention was on these two key players, Saudi-owned Savola Group was busy developing its HyperPanda format to counter the French invasion of its home market. Although operators of the successful Panda branded supermarkets, Carrefour and Géant posed a serious threat – as well as being attractive and alternative anchor tenants for mall developers. Having established a firm foothold in the GCC with the accompanying logistics, the two French-owned brands need the depth of the large market that Saudi Arabia offers to benefit from real economies of scale.



Thomson: no losers

Not to be out done Savola, in rugby parlance, 'pulled a flanker'. In September 2005, it announced in a blaze of publicity that it had signed up for a 175,000 sqft store in Dubai Festival City, the creek-side city being developed by Al Futtain Group- rival to MAFI, Carrefour's local partner.

In its home market, Savola has announced plans to more than double its number of outlets to shore up its position. Ten hypermarkets are projected across the Eastern Gulf by 2010. By then it is reported to be aiming for 124 Panda and HyperPandas in the Kingdom and ten HyperPandas outside.

With these three high-profile hypermarket brands emerging in identical markets across the region with a comparable offer, the test will be on price and on quality and this must be good for the shopper.

Catering to a slightly different segment of the market, but no less competitive and also

with ambitious expansion plans to add to its existing almost 50 stores is the LuLu brand, owned by Emke Group of Abu Dhabi. Operating predominantly from freestanding stores, LuLu with its carefully priced offer will provide an increasingly important benchmark for the price conscious shopper. It is set to open 12 hypermarkets in the GCC with floor space of between 200,000 sqft and 250,000 sqft in Oman, Kuwait, UAE, Bahrain, Saudi Arabia and Yemen. The group is reported to have sales of around \$752 million a year. Emke, in a move away from freestanding stores, took over the management of Al Wahda Mall Abu Dhabi last September, which is expected to be completed by June 2006. Lulu will provide the 200,000 sqft hypermarket anchor.

Belatedly in the face of such stiff competition, local co-operatives are urgently re-examining their own offer in a vain attempt to retain market share in the face of the coming onslaught.

At this juncture, it is impossible to tell which of these in the Middle East, if any, will end up with the enviable approximate 30% market share that Tesco enjoys in the UK, who, according to some analysts, nets £1 in every £8 spent by UK consumers.

Come 2007, however, there may be some early pointers. There should be no losers, however, among the shoppers. ■

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Date	Location	Country	Date	Location	Country
CARREFOUR			GÉANT		
1995	Deira City Centre, Dubai	UAE			
1998	Ajman City Centre	UAE			
2000	Airport Road, Abu Dhabi	UAE			
2000	Ras Al Khaimah	UAE			
2000	Doha City Centre	Qatar			
2001	Marina Mall, Abu Dhabi	UAE	2001	Bahrain Mall, Manama	Bahrain
2001	Al Jimi Centre, Al Ain	UAE			
2001	Sharjah City Centre	UAE			
2001	Muscat City Centre	Oman			
2002	Maadi City Centre, Cairo	Egypt			
2002	Shindaga, Dubai	UAE			
2003	Alexandria City Centre	Egypt			
2004	Al Khaima Mall, Riyadh	Saudi Arabia	2004	City Mall, Beirut	Lebanon
2005	Dandy Mall, Cairo	Egypt	2005	Ibn Battuta Mall, Dubai	UAE
2005	Granada Centre, Riyadh	Saudi Arabia	2005	Salaam Mall, Riyadh	Saudi Arabia
2005	Century Mall, Dubai	UAE	2005	Mall of Dhahran, Al Khobar	Saudi Arabia
2005	Mall of the Emirates, Dubai	UAE	2005	Khurais Plaza, Riyadh	Saudi Arabia
2005	Jeddah	Saudi Arabia	2005	Nakheel Mall, Qassim	Saudi Arabia
			2005	Aziz Mall, Jeddah	Saudi Arabia

Source Retail International