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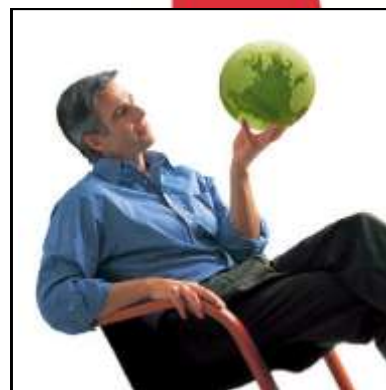
## Top Grocery Retailers In Latin America



Source: Planet Retail



Source: Planet Retail



## Top Grocery Retailers in Latin America



### ► EXECUTIVE SUMMARY



The population of Latin America\* was estimated to be 396 million in 2009 (Planet Retail, 2012). Three quarters of its population live in and around cities. The largest cities in this region are: Sao Paulo, Brazil; Buenos Aires, Argentina; Rio de Janeiro, Brazil;

Lima, Peru; Bogota, Colombia; Santiago, Chile; Belo Horizonte, Brazil; Caracas, Venezuela; Porto Alegre and Brasilia both in Brazil.

As a comparison, total grocery sales in this region are slightly higher than those in the U.K., with the largest grocery markets being Brazil, Argentina, Colombia, Venezuela and Chile. After remaining flat in 2008 and 2009, grocery spending in Latin America is on the rise, with total grocery sales reaching US\$788.1 billion in 2011. Planet Retail predicts the size of this market, combined with the region's potential economic growth, will sustain long-term sales growth. Although the upper class owns a large portion of the region's wealth, the growing middle-class should fuel sales in the coming years.

Latin America has little market concentration in the grocery retail sector. For example, Brazil's top five players account for approximately 25% of the market. Chile presents a different situation, however, with the top five players accounting for around 60% of the market.

Latin America's vigorous agriculture and manufacturing sectors were expected to boost the economy, starting in 2011, helping to drive rising levels of disposable income and increasing retail sales. This could encourage the mid-market consumer base to recover its confidence and its taste for luxury.

\*For the purposes of this report, Latin America includes thirteen countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Mexico, Paraguay, Peru, Suriname, Uruguay, and Venezuela.

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### ► DID YOU KNOW

► The largest grocery retail sales markets are Brazil, Argentina, Colombia, Chile and Venezuela.



## ► KEY FINDINGS

- ▶ Food retail sales in Latin America account for more than 50% of total retail sales. This is high compared to Western Europe (45%); however, in lower income countries, a greater proportion of disposable income is spent on food.
- ▶ The growing middle class is creating new demand for premium and luxury items, causing grocery retailers to continuously strive to achieve relevance in product offerings and pricing.
- ▶ Mass merchandisers, warehouse clubs, hypermarkets and Internet retailing have combined to put pressure on prices at the lower end.
- ▶ Much of the growth in the grocery retail sector will come from consolidation, mergers and acquisitions made by major international players.
- ▶ Strong domestic players are challenging leading retailers in Latin America.
- ▶ Expect to see hypermarkets and supermarkets widen their reach by adopting new formats and incorporating multi-channel approaches.
- ▶ Expect to see “cash and carry” stores continue to thrive, due to their status as traditional retail operators and their appeal to low-income groups.
- ▶ With the grocery retail saturation of urban centres, second-tier cities, i.e. those under 50,000 inhabitants, are expected to be the next focus for grocery chains.
- ▶ The Latin American region has different buying structures. For example, in Brazil, buying is centralized, with supermarket groups banding together to improve their purchasing power, bypassing wholesalers and negotiating directly with suppliers. In Chile, there are two supermarket buying associations — Mas and Cadesur.

## ► TRADITIONAL VS. MODERN

While the food retail sector in Latin America presents little consolidation, with a high concentration of “mom n’ pop” stores, key markets like Chile, Argentina and Brazil have seen substantial development in the modern sector. Sales through modern grocery retail formats are growing in the region, thanks to the strong economic growth it is experiencing. Nevertheless, while the region’s top five players account for approximately 25% of the market, traditional grocery retailers still command over 50% of total grocery market shares in Brazil, Argentina, Venezuela and Colombia. The remaining 25% of market share belongs to other store formats (convenience, pharmacy, independents, etc.).



## ► TRADITIONAL VS. MODERN (continued)

As more big-box retailers set the competitive stage in grocery retail, traditional definitions of specialized format stores are being modified. Grocery items are now also found on the shelves of department stores and pharmacies, as they compete with mass merchandisers and warehouse clubs.

Discount stores are increasing in popularity in the region, especially in Brazil and Argentina, where international players are rolling out their banners, but also by local players like Eki, Econ and Super Depensa Aki. Carrefour is the largest discounter, while international retailers, like Casino, run smaller, discount operations.

Convenience stores and forecourt outlets dominate the region in terms of store numbers, while specialist retailers increased their market share of food sales in 2010. Convenience stores also saw a modest growth in their food sales market share in 2010. Supermarkets/hypermarkets and independent retailers saw their market share of grocery retail fall over the same time period.

## ► GROCERY MARKET SIZE

In the Latin American region, year-on-year sales for grocery retailers in 2009-10 rose by 16.1% over 2008-09 numbers. For 2010-11, growth slowed to 9.5%.

### Latin America – Grocery Market Size – Historic/**Forecast** – Sales Value – US\$ billions

	2005	2011	2015
Grocery Retailers	257.2	465.3	572.1

**Source:** Euromonitor, *Grocery Retail Industry, Market Size*



**Source:** Planet Retail.



**Source:** Planet Retail.



► **TOP GROCERY RETAILERS**

**Top Grocery Retailers in Latin America —Ranked by Value Sales—2010**

Rank	Retailer	No. of Stores	Banner Stores	Square Feet	Format	Grocery Banner Sales (US\$ millions)
1	Walmart Group	127	Todo Dia	800	Big box	662
		25	Changomas	3000	Supermarket (Argentina)	256
		7	Changomas Express	250	Discount (Argentina)	8
		76	Walmart Supercentre	10,000-22,000	Hypermarket	3,830
		2	Walmart Supermercado	700	Supermarket (Argentina)	2
		34	Big	5,680	Hypermarket (Brazil)	590
		65	Bompreco	1,000-2,000	Neighbourhood store (Brazil)	590
		34	Hiper Bompreco	6,740	Hypermarket (Brazil)	852
		51	Maxxi Atacado	2,080	Cash and carry (Brazil)	475
		23	Mercadorama	1,460	Supermarket (Brazil)	196
		71	Nacional	1,200-2,000	Supermarket (Brazil)	448
		25	Sam's Club	10,500	Warehouse club (Brazil)	734
		38	aCuenta	1,910	Discount store (Chile)	215
		118	Ekono	397	Discount store (Chile)	149
		53	Express de Lider	1,563	Supermarket (Chile)	736
		68	Hiper Lider	6,644	Hypermarket (Chile)	1,926
2	Carrefour	258	Carrefour	6,000	Hypermarket	7,500
		107	Carrefour Market	1,332	Supermarket (Argentina)	1,200
		856	Dia	3,229	Discounter	1,900 (2009)
		50	Carrefour Express	250	Convenience and forecourt	42
		49	Carrefour Bairro	1,531	Supermarket (Brazil)	772
		35	Carrefour Champion	1,657	Supermarket (Brazil)	390
		2	Carrefour Maxi	6,500	Cash and carry	9

Source: Planet Retail, Top Grocery Retailers in the LAC, 2010.

Continued on the following page...



Top Grocery Retailers in Latin America – Ranked by Value Sales – 2010 (continued)

Rank	Retailer	No. of Stores	Banner Stores	Square Feet	Format	Grocery Banner Sales (US\$ millions)
3	Casino	15	Libertad	4,000	Hypermarket (Argentina)	23
		57	Assai	3,000	Cash and carry (Brazil)	1,200
		157	CompreBem	1,300	Supermarket (Brazil)	1,100 (2009)
		110	Extra Hipermercado	6,961	Hypermarket (Brazil)	4,800
		231	Extra Supermercado	1000-3000	Supermarket (Brazil)	2,400
		68	Minimercado Extra	150-300	Convenience store (Brazil)	109
		54	Bodega Surtimax	8,489	Discount (Colombia)	143
		2	CAFAM	1,300	Hypermarket (Colombia)	7
		13	CAFAM	1,173	Supermarket (Colombia)	5
		3	CAFAM Express	575	Neighbourhood store (Colombia)	5
		76	Carrulla	948	Supermarket (Colombia)	479
		128	Exito	3,912	Hypermarket (Colombia)	1,500
		3	La Candelaria	1,220	Supermarket (Colombia)	17
		20	Ley	1,790	Supermarket (Colombia)	189
		19	Merquefacil	408	Convenience (Colombia)	18 (2008)
		3	Optimo	6,790	Hypermarket (Colombia)	49 (2001)
		3	Pomona	1,104	Supermarket (Colombia)	56
		4	Q Precios	183	Discount (Colombia)	3 (2008)
		11	Vivero	5,190	Hypermarket (Colombia)	119 (2007)
4	Cencosud SA	239	Disco	1,316	Superstore (Argentina)	2022
		45	Jumbo	8,311	Hypermarket (Argentina, Chile)	1,715
		1	Jumbo	1,336	Supermarket (Argentina)	12 (2011)
		66	Bretas	2,815	Superstore (Brazil)	158
		33	G.Barbosa	1,053	Supermarket (Brazil)	373
		22	Hiper Barbosa	4,046	n/a (Brazil)	608
		2	Mercantil Rodrigues	6,750	Cash and Carry (Brazil)	76
		8	Perini	613	Supermarket (Brazil)	56
		4	Super Familia	1,750	Supermarket (Brazil)	69
		134	Santa Isabela	1,405	Supermarket (Chile)	1,647

Source: Planet Retail, Top Grocery Retailers in the LAC, 2010.

Continued on the following page...



**Top Grocery Retailers in Latin America – Ranked by Value Sales – 2010 (continued)**

Rank	Retailer	No. of Stores	Banner Stores	Square Feet	Format	Grocery Banner Sales (US\$ millions)
<b>5</b>	<b>Soriana</b>	300	Super City	969	Convenience store	53
		21	Mercado Express	1,500	Discount store	27
		227	Soriana Hiper	7,862	Hypermarkets	2,447
		125	Mercado Soriana	4,665	Hypermarket and Superstore	1,040
		105	Soriana Super	2,652	Supermarket	736
		30	City Club	8,028	Warehouse club	160
<b>6</b>	<b>OXXO</b>	8,426	OXXO	114	Convenience store (Colombia, Mexico)	4,362
		45	Barra	351	Convenience store	54
<b>7</b>	<b>SHV Makro</b>	4	Basualdo	4,000	Cash and Carry	19
		146	Makro	6,738	Wholesaler (Argentina, Brazil, Colombia)	3,475
		13	Mikro	569	Discounter (Colombia)	77

*Source: Planet Retail, Top Grocery Retailers in the LAC, 2010.*

**Latin America – Food – Channel Comparison for 2005-2010 – % of Total**

Channel	2005	2006	2007	2008	2009	2010
Supermarkets/hypermarkets	50.03	50.36	50.60	50.85	51.13	51.08
Specialist Retailers	17.54	17.26	17.06	16.84	16.61	19.57
Independent Retailers	24.62	24.50	24.39	24.28	24.17	22.77
Convenience Stores	4.73	4.78	4.85	4.91	4.96	6.16

*Source: Market Data Analytics, Distribution, Datamonitor.*



*Source: Planet Retail.*



*Source: Planet Retail.*



## ► TOP GROCERY RETAILERS (continued)

### **WALMART**

Planet Retail is predicting that Walmart will continue to lead grocery banner sales in the Latin American region due, in part, to the organization's continued expansion into the region.

#### **Acquisitions, Growth and Expansion**

Between 2004 and 2010, Walmart expanded rapidly in emerging markets. In 2010, for the first time in its history, Walmart had more stores in foreign markets than in the U.S. From 2006 to 2010, the company's core markets for expansion were, and are expected to remain, Brazil, China and Mexico. Non-domestic expansion is focused on small store formats (compact hypermarkets), with comparatively modest sales per outlet, such as discounters, in Latin America. In fact, in 2009 and 2010, Walmart's grocery retailing channels saw the most expansion, particularly through its two discount banners, Bodega Aurrera and Mi Bodega Express. Walmart planned to allocate a higher proportion of its capital expenditure to international expansion in 2011 than it had in previous years, continuing its focus on emerging markets.

While Walmart's expansion in Latin America mostly involved organic growth, the company also acquired local retailers to enter new markets in Central America and Chile. The chain planned to grow their presence in Chile by investing US\$300 million in expansion efforts in 2011. Walmart's warehouse club presence in emerging markets relies mostly on its Mexican stores, which accounted for 12% of channel sales in 2010. In addition, it also has a small-store network in Brazil. Brazil is Walmart's second-largest market in Latin America after Mexico. Walmart's discount centres are confined to Latin America.

#### **Strategy**

Generating more synergies between local subsidiaries will remain a major objective for Walmart, in order to adopt best practices. One aspect of this strategy was the integration of Walmart Centroamerica, which operates in Central American markets including Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, into the Mexican subsidiary Walmex at the end of 2009. The strong performance and estimated high level of profitability recorded in Latin America by the group's small grocery retailing formats could influence the company's strategy to diversify towards similar store formats in North America. An aggressive pricing strategy, combined with its low price perception, enabled the group to weather the less desirable economic conditions in 2009.

#### **Product Innovation/Direction**

Walmart will be looking to improve its global sourcing in an effort to give greater prominence to the company's private label strategy, through an emphasis on direct sourcing.

#### **Comparison**

Mexico is Walmart's third-largest world market after the U.S. and the U.K., and accounted for around 6% of its global sales in 2010. Walmart's Mexican subsidiary recorded strong, double-digit growth in sales and profits in the first half of 2010. While network expansion continued in Mexico, its sales were also boosted by the integration of activities in Central America. Its net margin remained well above 5%. North America aside, the majority of Walmart's sales come from emerging markets like Mexico.

Walmart hypermarkets ranked number one for sales worldwide in 2009 and in 2010. In addition, Walmart mass merchandisers ranked second in 2009 and in 2010.

Walmart hypermarkets held 27.9% share of the global market in 2009, and 27.8% in 2010. Walmart mass merchandisers held 21.1% share in 2009 and 20.6% in 2010.



## ► TOP GROCERY RETAILERS (continued)

### CARREFOUR

The second-largest grocery retailer in Latin America is Carrefour, with its Carrefour hypermarkets, Carrefour Market supermarkets, Atacadao, Carrefour Maxi, and Dia discount stores. It is also the second-largest retailer when comparing total banner sales. Argentina, Brazil and Colombia represent Carrefour's total presence in Latin America.

#### Acquisitions, Growth and Expansion

Carrefour has developed a new store format (Carrefour Planet), which it is planning to roll out in the near future. This new concept store will be a hypermarket that features specialized areas (e.g. sections devoted to a market concept, organic products, frozen food, housewares, leisure-multimedia, etc.). Eighty-two new Carrefour Planet hypermarkets were to be opened in Europe by the end of 2011.

#### Strategy

Carrefour's global, multi-format strategy and strong brands that are adapted to each country, have made the chain a local retailer everywhere. Price leadership in each market is an ongoing priority for the company. Loyalty cards are another way the organization generates customer interest in supporting the chain.

In 2003, Carrefour signed 80 agreements with small and medium-sized suppliers to provide over 300 products at the lowest prices in the market. Furthermore, the company's long-term expansion plan includes opening 800 new stores in emerging markets and in Europe.

Carrefour is currently executing a three-year plan to streamline operations and incorporate greater efficiencies in operating and purchasing activity. In each country where Carrefour operates, approximately 90% of its offered products are bought locally. Carrefour has launched a suppliers' portal called CarrefourNet, where potential suppliers can access information, data and applications. International buying for Carrefour's groceries is carried out through Direction Marchandises Groupe (DMG), an organization that sources both branded and private label products for Carrefour.

In July 2011, Carrefour split off its Dia discount stores on the Madrid stock exchange, in an effort to focus on developing the Carrefour brand, while enabling the organization's shareholders to benefit fully from the potential of Dia.

#### Product Innovation/Direction

Carrefour's private label line is strong and will continue to benefit from the retailer's continued focus on product development. Carrefour's private label products sell in most of its markets, where they are adapted to each country's local tastes, and produced locally to a large extent. This translates into anywhere from 4,000 to 15,000 suppliers, depending on the country. Carrefour offers both standard and economy private label items.

#### Comparison

Globally, the majority of the company's revenue is derived from the hypermarket and superstore formats. The combined total grocery banner sales for Carrefour in Argentina, Brazil and Colombia was US\$14.8 billion for 2010. In relation to the company's 38 global operations, Brazil is the third-largest revenue generator for Carrefour when comparing annual grocery banner sales, of which the country's contribution totaled US\$10.8 billion in 2010.

On the global ranking list of top hypermarkets and superstores for 2010, Carrefour took third place. Carrefour's hypermarkets contributed the most to the organization's total banner sales for 2010, with US\$73.9 billion.



## ▶ TOP GROCERY RETAILERS (continued)

### CASINO

Casino is considered a strong player in Brazil, and it is the grocery-market leader in Colombia. Planet Retail lists Casino as the top retailer in Latin America, when comparing overall banner sales. This retailer operates a variety of formats such as big box, variety stores, a discount chain and convenience outlets.

#### Acquisitions, Growth and Expansion

Much of Casino's success in Latin America can be attributed to its acquisition of local players, enabling its operations to be perceived as local.

Casino is a France-based international grocery and general merchandising retail chain. The company will step up growth activities by consolidating in key international markets, such as Brazil and Colombia, to help offset sluggish sales in its home market. The company has begun an investment project in Brazil where, over a three year period, US\$2.8 billion will be used to open 300 new stores, to be completed by the end of 2012. Stores will be opened under the Extra Facil convenience store format, Extra Supermercados format and the Assai cash and carry chain.

Casino has planned further expansion in Colombia, investing US\$225 million in the opening and remodeling of stores. Eighty new stores were planned for 2011, including 50 Exito Express and 20 Bodega Surtimax.

#### Strategy

Casino runs a multi-format strategy and was the first major multiple-format player to launch a convenience store banner in Brazil. In 2008, the company launched a new marketing tag line: Groupe Casino—Nourishing a world of diversity. This slogan is intended to reflect the company's focus on precision rather than mass-market retailing, positioning the chain as responsive to its diverse customer requirements.

Casino has adopted an aggressive pricing strategy in each country where it is present and is focusing on promoting its standard and economy private labels to better compete in the market.

The Casino organization offers a variety of loyalty cards in its many markets and views them as an effective growth driver.

Santa Marta is the sourcing office based in Colombia. It specializes in food products sourced from both North and South America.

#### Product Innovation/Direction

Casino's Exito stores are reinforcing their strong position in the market through their private label offering. In 2010, the Casino product range comprised over 13,000 Stock Keeping Units (SKU), which included 5,400 food SKUs. Casino offers economy, standard and premium private label products.

#### Comparison

Casino's global total grocery banner sales for 2010 totaled US\$44.3 billion, of which sales in Argentina accounted for US\$263 million (0.5% of share), Brazil's was US\$10.9 billion (24.5% of share), and Colombia's contribution was US\$2.5 billion (6% of share).

Casino is ranked fourteenth in the global hypermarkets and superstore competitors list for 2010. This ranking is based on total banner sales. Casino's hypermarkets were responsible for generating the most grocery revenues for 2010, totaling US\$25.7 billion.



## ► TOP GROCERY RETAILERS (continued)

### **CENCOSUD SA**

Cencosud operates a number of retail banners, including the hypermarket chain Jumbo, Disco supermarkets, and the Easy chain of do-it-yourself stores; it also develops shopping centres.

#### **Acquisitions, Growth and Expansion**

In 2011 Cencosud's board approved a capital increase in the sum of US\$2 billion for regional acquisitions, and to increase an employee-compensation program. The company has a three-year window to complete the capital increase. It is because of this aggressive acquisition strategy that Cencosud is listed as fourth-largest grocery chain in Latin America.

Cencosud Chile acquired Brazilian supermarket chain Prezunic in November 2011, consolidating its position as Brazil's fourth-largest retailer. Prior to its acquisition, Prezunic was the third-largest grocer in Rio de Janeiro state and sixth in Brazil. This acquisition puts Cencosud in a total of eight Brazilian states, with a potential market of 100 million people.

Cencosud's CEO has indicated the company will focus on international growth in Brazil, where it will focus on expanding its supermarket business, and Peru. The company is, however, not looking to expand beyond the Latin American countries. Of the US\$1 billion Cencosud invested in South America for 2011, 38% was marked for supermarket expansion. In total, the company planned to open 36 more stores (20 supermarkets in Peru, 25 stores in Brazil, and 21 stores in Argentina) and three shopping centres. Argentina is where Cencosud has the greatest presence.

#### **Strategy**

In 2010, Cencosud's main grocery revenue stream was derived from its hypermarkets/superstores (US\$5.4 billion) and its supermarkets and neighbourhood stores (US\$5.2 billion). The Jumbo chain is so popular that Cencosud is planning to roll out the "Jumbo" name as an umbrella brand to smaller-sized stores, together with the Santa Isabel supermarkets.

#### **Product Innovation/Direction**

All of Cencosud's private label products are sold in the standard price range.

In 2010, Cencosud launched loyalty cards, which allowed customers to collect points from partners' outlets that can be used to purchase a wide range of rewards.

Another big contributor to the chain's success is its credit card program, which can be found in each market. Cencosud has approximately three million in-store credit card clients across Latin America. The company announced in November 2011 that they plan to reach co-branding agreements with Visa and MasterCard, launching exclusive credit cards which they expect to be operational in May 2012.

#### **Comparison**

Based on banner sales, Cencosud is ranked forty-sixth in the global hypermarkets and superstores list of competitors for 2010. Regionally, Cencosud's Chilean operations (its home market) garnered the most total grocery banner sales, totaling US\$3.1 billion (11.4% of grocery market sales) in 2010. The Argentinian operations took second place, with US\$2,613 million, a 5.2% of total grocery market share ahead of Brazil (US\$1.3 billion — 0.3% total grocery banner market share).



## ► TOP GROCERY RETAILERS (continued)

### **SORIANA**

Soriana is a multi-format operation with a mix of warehouse clubs, convenience stores, discount stores, hypermarkets and superstores. Interestingly, it is the second-largest retailer in Mexico behind Walmex (Walmart).

#### **Acquisitions, Growth and Expansion**

Soriana is present in 160 cities in 32 Mexican states. In December 2007, Soriana acquired 206 Gigante stores, which secured its position as the second-largest retailer in Mexico. This acquisition also consolidated the chain as a nationwide player.

Soriana plans to invest US\$1.3 billion by 2014 in the opening of a total of 200 new stores. For example, Soriana is actively expanding its smaller Soriana Super, Soriana Express and Super City formats in order to reach smaller cities and low-income customer groups. It is also planning to spend US\$273 million in 2012 to open 55 new stores across its different formats. In addition, the retailer plans an undetermined number of Super City franchised stores.

#### **Strategy**

Soriana operates a low-price policy, in combination with promotional campaigns. One such campaign allows customers to buy two items and receive a third for free. This promotion is not limited. Soriana also operates a customer loyalty program where customers collect points which can then be exchanged for store items. In 2010, the chain reported that 10 million customers use their loyalty cards regularly, resulting in the awarding of 80 million free products and 28 million half price products..

Soriana works with a total of 5,100 suppliers. Sinergia de Auservicios is the chain's buying group.

#### **Product Innovation/Direction**

Private labels accounted for over 8% of sales in the categories in which they participate. The chain's main food private labels fall under the economy category.

#### **Comparison**

The majority of the chain's revenue is generated by its hypermarkets, which generated US\$4.7 billion in revenue for 2010. Of that amount, US\$4.4 billion was attributed to total grocery banner sales.

Soriana ranked forty-first on the global list of hypermarket and superstore competitors for 2010. This ranking is based on total banner sales.



## ► TOP GROCERY RETAILERS (continued)

### OXXO

OXXO has two banner formats, Barra, which is a discount store that focuses on selling groceries, and the OXXO banner, which is more in line with the convenience store format.

#### Acquisitions, Growth and Expansion

OXXO is the largest convenience store chain in Latin America, serving approximately 6.5 million customers per day. In 2009, OXXO began expanding outside of Mexico and opened its first stores in Colombia. OXXO is planning to grow to 12,000 stores by 2014, expanding into an undetermined number of markets.

#### Strategy

OXXO stores are located in all Mexican states, mainly in the north, western and central areas of the country. Most of the stores are open 24 hours a day. Store sales increase significantly in December, due to Christmas time, and also in the hot months of July and August, as a result of an increase in sales of beer and refreshments. OXXO operates a number of store concepts, depending on the area in which a particular outlet is located. Stores are located in residential, commercial and office areas, as well as in gas stations. By mid-2011, the banner operated around 50 OXXO Gas petrol stations, run through concessions given by petrol company PEMEX.

OXXO has implemented promotional strategies and competitive pricing, including cross promotions, in efforts to increase traffic and reach new segments, such as housewives. It launched a campaign in 2009, which included more than 400 basic food products at permanently low prices.

#### Product Innovation/Direction

The OXXO banner was originally created to boost sales of FEMSA beer, however these stores have widened their range of available products. The convenience stores sell the most beer, bread, soft drinks and snacks in Mexico. Beer is still an important product for OXXO, representing 16.1% of total sales in 2010. The only beer that OXXO sells in its stores is Heineken, as the company acquired FEMSA beer (OXXO's previous beer supplier) in April 2010. At the same time, FEMSA now owns a 20% stake in Heineken. Other core products sold by OXXO stores include: phone cards, snacks, refreshments, convenience food, and cigarettes.

#### Comparison

OXXO is ranked tenth on the global convenience and forecourt stores competitors list for 2010. This ranking is based on total banner sales. Total grocery banner sales for OXXO stores was US\$4.4 billion in 2010. The total grocery banner sales of the Barra format for 2010 equaled US\$54 million.



## ► TOP GROCERY RETAILERS (continued)

### SHV MAKRO

SHV Makro has gained importance in Latin America through its growing network of stores in the region's largest markets — Brazil, Argentina, Colombia, and Venezuela. SHV Makro is the leading cash and carry operation in Latin America. It caters to traditional channels such as medium-sized retailers, institutional customers and hotel, restaurant and catering clients, which account for a significant share of the grocery retail market. The chain has a network of 140 stores. The one country in which the organization has a presence outside of Latin America is Thailand.

### Acquisitions, Growth and Expansion

SHV Makro plans to continue its expansion in Latin America over the next few years. In Argentina, the company plans to open 24 Makro outlets and 20 Basualdo stores by 2015. SHV Makro will open an undetermined number of outlets in Brazil, and 10 new outlets in Colombia by 2015. The company planned to open 15 stores in Peru over the 2009 to 2012 period, and 3 new stores in Venezuela.

### Strategy

By improving its fresh and frozen food assortment, SHV Makro has seen its hotel, restaurant and catering client base grow significantly.

Over the past several years the company pulled out of many Asian countries and consolidated its presence in Latin America, where growing sales accounted for 66% of SHV Makro's global sales in 2010. This was an increase from only 44% of total sales in 2003.

In regards to pricing, SHV Makro focuses on volume sales, rather than relying on high margins. This strategy could see sales grow and margins narrow as the company attempts to protect its market share using this low-price strategy.

### Product Innovation/Direction

SHV Makro is focused on developing new private label products across its operations.

### Comparison

In 2010, Brazil is where SHV Makro had the greatest concentration in Latin America, followed by Venezuela, Argentina, and Colombia. Thailand has a total of 48 stores. SHV Makro's total banner sales in Latin America for 2010 equaled US\$8.4 billion.

Comparing grocery sales and market share percentages in Latin America, Brazil came in first in the region with US\$2.2 billion in total grocery banner sales for 2010, which represents 26% share of the market. Following in second place was Venezuela, with total grocery banner sales of US\$621 million, representing a 7.4% share. Argentina was next, with US\$421 million total grocery banner sales (5% of market share), followed by Colombia with US\$323 million (a 3.8% share) for 2010.



## ▶ LOCAL RETAILERS TO WATCH

Retailer	No. of Stores 2010	Banner Stores	Square Feet	Format	Grocery Banner Sales (US\$ millions)
<b>SMU (Chile)</b>	29	Alvi	1,338	Wholesaler	211
	49	Dipac	612	Wholesaler	110
	2	Food Market Unimarc	3,000	Superstore	17
	60	Mayorista 10	1,591	Cash and carry	427
	29	Montserrat	2,123	Supermarket	239
	34	OK Market	211	Convenience store	37
	204	Unimarc	1,568	Supermarket	1,738
<b>Comercial Mexicana (Mexico)</b>	6	Alprecio	1,500-2,000	Discount supermarket	29
	43	Bodega	2,200-6,000	Discount store	351
	2	City Market	1,650	Supermarket	27
	53	Comercial Mexicana	6,035	Hypermarket/superstore	588
	1	Freesco	1,156	Supermarket	13
	82	Mega	8,718	Hypermarket	909
	13	Sumesa	779	Supermarket	61
<b>Chedraui (Mexico)</b>	120	Chedraui	7,290	Hypermarket	1,604
	36	Super Chedraui	2,087	Supermarket	320
<b>Falabella (Chile)</b>	7	San Francisco	2,667	Superstore	1,317
<b>COTO (Argentina)</b>	19	Hipermercado Coto	8,800	Hypermarket	525
	10	Minimercado Coto	130	Convenience store	17
	86	Supermercado Coto	1,477	Supermarket	948
<b>Lojas Americanas (Brazil)</b>	212	Americanas Express	340	Neighbourhood grocery	451
	329	Lojas Americanas	1,300-1,500	Discount	1,071

Source: Planet Retail, Weekly Insight, Top 10 Grocery Retailers in the LAC 2010.



## ► LOCAL RETAILERS TO WATCH (continued)

### SMU

SMU is an amalgamation of approximately 50 grocery chains, such as Unimarc, Supermercados Deca and Montserrat (40% owned by SMU). It is Chile's fourth-largest retailer and its third-largest grocer. SMU is remarkable for the speed of its expansion in Chile.

#### Acquisitions, Growth and Expansion

In 2007, SMU acquired Unimarc's assets, making it the fourth-largest retailer and third-largest grocer in Chile in just one year. Following this acquisition, SMU unified all its supermarket banners under the Unimarc brand, while operating cash and carry stores under the Alvi and Mayorista 10 banners.

With few independent chains left to acquire, SMU will have to grow organically within Latin America. In 2010, the chain opened 50 new supermarkets in Chile, pushing the total number of stores to 329 in 2011.

SMU's Mayorista 10 cash and carry operation was expected to reach 100 outlets by 2012. SMU owns Alvi, which took over Mayorsa in April 2007; as Mayorsa has cash and carry stores in Lima, Peru, this acquisition represents SMU's first incursion abroad. SMU injected funds into Mayorsa and was planning to open five new stores over the 2011 to 2012 period. Long term, SMU plans to expand the Mayorsa banner beyond the Lima area.

In 2010, SMU created a new superstore banner called Food Market, with seven outlets built in Santiago from 2010 to 2011. In addition, SMU plans to double its OK Market store count.

#### Strategy

To better serve the needs of the expanding chain, SMU has approved the building of a 65,000 square metre distribution centre in Pudahuel, Chile, which was to be completed in 2011. This new, large distribution facility will centralize 55% of the retailer's merchandise.

In 2011 SMU launched a new credit card in cooperation with the Corpbanaca bank. SMU announced a public offering of shares by 2012.

#### Product Innovation/Direction

SMU has two private label brands sold in the Unimarc and Food Market stores. The economy label, Merkat, is sold mostly at the Mayorista 10 cash and carries. The standard private label brand is sold at the Unimarc stores.

Like many of its competitors, SMU offers a loyalty program, which allows customers to accumulate points that can be used to purchase products at a later date. In addition, SMU enables their loyalty card users to enter regular draws to win holidays and other rewards like cars.

#### Comparison

Globally, SMU supermarkets and neighborhood stores ranked seventy-second in total grocery banner sales for 2010. In Chile, SMU total grocery banner sales equaled US\$2.5 billion, which represented 9.1% of the market.



## ► LOCAL RETAILERS TO WATCH (continued)

### COMERCIAL MEXICANA

Comercial Mexicana operates a multi-format strategy in Mexico, with its Mega Comercial Mexicana hypermarkets and superstores as its main formats.

#### Acquisitions, Growth and Expansion

In 2008, Comercial Mexicana sought bankruptcy protection. In the negotiated deal, the retailer committed to selling assets worth US\$520 million over the following five years, which included its 50% stake in Costco Mexico. Comercial Mexicana is refitting stores and reducing the number of employees and SKUs. In 2010, the retailer revealed three openings for the year, two Mega hypermarkets and a Fresko supermarket.

In 2011, Comercial Mexicana planned to invest US\$133 million to open nine new stores and a distribution centre. For 2012, the chain will commit a further US\$150 million to open 13 more outlets in the regions where the chain already has an established presence. In June of 2011, the chain announced a rebranding of its Sumesa supermarket to its Fresko and City Market banners, citing the belief that the Sumesa concept has worn itself out. Comercial Mexicana planned to rebrand one or two more of these outlets in 2011, and will continue to phase out the Sumesa brand in 2012.

#### Strategy

In order to better compete in the sector, Comercial Mexicana implemented a low-price strategy similar to its Walmex rival, and is continuing to widen this strategy, while continuing to keep stringent cost controls in place to improve profitability.

Comercial Mexicana uses Sinergia de Autoservicios, together with Soriana, as its buyer.

#### Product Innovation/Direction

Comercial Mexicana re-launched its main private label products in 2007. The retailer is looking to create a more appealing and upscale private label offering and is moving away from the traditional concept of private label products as low-price alternatives to leading brands. This strategy appears to be working, as the percentage of private label sales grew from 13% in 2006 to 17.5% in 2008. The chain's financial difficulties, however, reversed this upward trend, causing private label product share to drop back to 13% in 2010. In January 2011, the chain launched an economy food private label with more than 170 SKUs.

#### Comparison

The Comercial Mexicana chain is found only in Mexico. Comercial Mexicana's Sumesa banner ranked fourth, Alprecio banner ranked fifth, City Market ranked sixth, and the Fresko banner ranked seventh on the list of top supermarkets and neighborhood stores in Mexico for 2010. However, the Mega banner ranked sixth, the Comercial Mexicana banner ranked ninth, and the Bodega banner ranked tenth on the hypermarkets and superstores competitors list over the same period.

Comercial Mexicana ranked third on the list of top holding companies with stores competing in the Mexican hypermarket/supermarket format. These rankings are based on total grocery banner sales.



## ► LOCAL RETAILERS TO WATCH (continued)

### **CHEDRAUI**

Chedraui is primarily a hypermarket operation, which operates in the central and southern part of Mexico and is the only Latin American grocer with retail operations in the U.S.

#### **Acquisitions, Growth and Expansion**

The Chedraui chain took over Carrefour's operations in Mexico, positioning itself as one of the main players in the country.

Chedraui plans on expanding its Super Chedraui supermarket banner in small cities with no modern grocery outlets. The chain aims to attain nationwide coverage and will be increasing its presence in Central Mexico and in the northern and Pacific regions. In a 2010 Initial Public Offering, Chedraui announced it would use the funds to expand its store count and open 160 new stores by 2016.

#### **Strategy**

In 2007, Chedraui sold its wholesale operation. In 2010 the chain announced that it will be focusing on its supermarkets and hypermarkets. Chedraui has a customer loyalty card program which allows customers to trade in points for store merchandise.

#### **Product Innovation/Direction**

Chedraui sells more than 1,000 products under its standard private label brands.

#### **Comparison**

Chedraui was ranked sixtieth on the hypermarket and superstore global competitors list for 2010. This ranking is based on total banner sales. The U.S. and Mexico operations each provide approximately 50% of revenue to the chain's overall banner sales. Over half of the chain's banner sales are attributed to total grocery banner sales.

### **FALABELLA**

Over the past few years, Falabella has grown from its traditional department store format, to a multi-format retailer and, more specifically, has been expanding its reach into the grocery sector. Planet Retail lists Falabella as the fifth-largest retailer, by total banner sales, in Latin America. The company is present in Argentina, Peru, Colombia, and Chile, where it is a leading retailer.

#### **Acquisitions, Growth and Expansion**

In 2008, Falabella acquired five former Casa Estrella outlets in Colombia. In 2010, Falabella took over the Chilean San Francisco local supermarket chain.

Falabella expanded its subsidiary Sodimac into Argentina in 2008. The company also invested US\$557million in 2011, to expand its operations in Latin America, opening 27 new stores. Between 2010 and 2014, Falabella is expected to open 184 new stores, which will nearly double the number of stores the company operates in Chile, Peru, Argentina and Colombia.

#### **Product Innovation/Direction**

Falabella has private label food products in both the economy and standard categories. Overall, in 2010 private labels accounted for approximately 10% of sales in the categories where they were present.

#### **Comparison**

Falabella's total banner sales for 2010 equaled US\$10.5 billion, of which US\$1.6 billion came from its hypermarkets/supermarkets and superstores. Falabella's Chilean operations had the most total grocery banner sales for 2010, coming in at US\$1.3 billion in 2010. The chain's total grocery banner sales for 2010 were US\$2.4 billion.



## ► LOCAL RETAILERS TO WATCH (continued)

### **COTO**

Coto is a multi-format organization, made up of hypermarkets, convenience stores, and supermarkets. The chain is located in Argentina, with a strong concentration in the Buenos Aires area.

#### **Acquisitions, Growth and Expansion**

Coto opened two hypermarkets in 2010, two more in 2011, and plans to open one more in 2012. The chain is expected to continue this rate of expansion for the foreseeable future.

#### **Strategy**

Presently, Coto offers a credit card program, which the chain introduced in 2005. It is the organization's intent to expand this program and incorporate a loyalty points promotion. As of June 2011, there were 310,000 active cards.

Coto is focused on middle- and low-income consumers, offering low prices. The organization is expected to continue focusing on offering competitive pricing and developing its private label products.

#### **Product Innovation/Direction**

Coto offers over 500 private label products in the economy, standard and premium categories. The private label portfolio consists of 10 brands.

#### **Comparison**

Coto's Supermercado supermarkets generated the most total grocery banner sales for the retailer in 2010. The Hipermercado hypermarkets enjoyed the second-highest total grocery banner sales, and the Minimercado convenience store format placed third over the same period.

### **LOJAS AMERICANAS**

Lojas Americanas operates a multi-format organization, consisting of neighborhood grocery and discount superstores in Brazil.

#### **Acquisitions, Growth and Expansion**

Over the past five years the chain has tripled its store count, thanks in part to its takeover of BWU Comercio e Entretenimento SA in 2007. This added (54%) to the 237 stores the retailer had prior to this acquisition.

Lojas Americanas is planning to expand into the northeastern part of the country and into smaller towns. The company planned to launch 90 to 100 new stores in 2011, with many following the traditional neighborhood grocery format. Between 2010 and 2013, the chain plans to open 400 new stores and two distribution centres.

#### **Strategy**

Lojas Americanas offers a wide product selection with a low-price strategy. The chain has also had success with its product mixing promotions.

#### **Product Innovation/Direction**

The Lojas Americanas chain does not offer private label products.

#### **Comparison**

Lojas Americanas, found only in Brazil, is ranked fourth on the 2010 hypermarkets and superstores competitor list for total banner sales. The Lojas Americanas total grocery banner sales for 2010 were US \$1.1 billion. The Americanas Express total grocery banner sales in 2010 was US \$451 million.



## ► DEFINITIONS

**Banner Sales**

Total sales of all banners owned or operated by the company, inclusive of Value Added Tax (VAT) and sales taxes. This figure includes full revenues from franchised operations and full revenues from partly owned chains/stores. It excludes delivered wholesale.

**Local Retailer**

Refers to retailers whose presence originated in a specific country or region and is not found outside that region.

**Organic Growth**

Business expansion resulting from an increased customer base, increased output per person, new sales, or any combination of these factors.

**Total grocery sales**

Total sales of edible grocery, household and pet care, health and beauty. This excludes sales from foodservice.

**Total sales**

Total sales of all banners owned or operated by the company, including VAT. This figure includes full revenues from franchised operations and full revenues from partly owned chains/stores. It excludes delivered wholesale.



## ► BUYING GROUPS

Sinergia de Auservicios  
Cerrada de Tecamachalco, 45, Mexico City,  
11650 Mexico,  
tel: +52 55 5540 4110

Carrefour DMG  
2, avenue du Pacifique,  
Courtaboeuf, F-91977 Les Ulis, France  
tel: ++33(0)1/64 86 90 00

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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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please contact:

Agriculture and Agri-Food Canada  
1341 Baseline Road, Tower 5, 4th floor  
Ottawa, ON  
Canada K1A 0C5  
E-mail: [infoservice@agr.gc.ca](mailto:infoservice@agr.gc.ca)

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