

# Carrefour<sup>1</sup>

Created in 1959, French retail giant Carrefour ('crossroads' in French) is the number one retailer in Europe and a top-5 global supermarket chain. It made \$2.8 billion profit on revenues of \$90 billion in 2023, a significant increase from the previous five years' earnings. Carrefour has 346,670 employees and 14,348 stores throughout the world. 40 per cent of its stores (5,755) are in France and 76 per cent in Europe, in Italy, Spain, Poland and Romania. These countries, together with 1,575 stores in Brazil and Argentina, compromise its 'core' markets. In its non-core markets, it manages through franchises (particularly in Africa) and joint ventures or local partnerships, such as in China and Taiwan. In 2018, Carrefour made approximately 74 per cent of its sales in Europe and has increased its focus on these core markets more recently.

The initial drivers for retailers like Carrefour to expand globally included saturated domestic markets, economic growth in Asia and Eastern Europe, and improvements in transportation systems. But they have had mixed success. Tesco has moved into China and the United States, Carrefour has pulled out of some eastern European countries in order to focus on expansion in China and Walmart is pushing for growth in a range of new markets.

Carrefour operates a network of hypermarkets, supermarkets, hard discount stores, convenience stores and cash-and-carry outlets, and offers e-commerce services. The company's hypermarkets, Carrefour and Atacadão, offer a range of food and non-food products. Carrefour SA's supermarket chains include, among others, Champion and Norte brands, which primarily offer food, clothing and household goods. The company's hard discount stores include Dia, Ed and Minipreço, offering products at discount prices. Its convenience stores, such as Shopi and 8 à Huit, offer a range of convenience products and services. Carrefour SA's cash-and-carry stores, Promocash, Gross and Docks Market, offer wholesale products for businesses.

Anyone observing Carrefour over the last three decades would note that international expansion is a key part of its strategic plan. In 2008, 47 per cent of its sales were in France alone and 81 per cent in Europe. The 19 per cent of sales outside the region were evenly divided across Asia and Latin America. By 2014, 35 per cent of its sales were in France and 55 per cent in Europe, 14 per cent in Latin America, and 6 per cent in Asia. The figures above (40 per cent France, 76 per cent Europe) show that it reduced its global portfolio to concentrate more on its core markets in recent years. This is partly due to a failure to adapt to the different business practices, supply chains and competitors in other country markets. In the United States, Carrefour opened three hypermarkets in Pennsylvania and closed them as a result of local competition.

In 1996, the French government introduced the 'Raffarin law' to restrict the expansion of hypermarkets, with the aim of keeping the French countryside from turning into large warehouse style retail structures. This in turn would protect the French way of life, in which local food farmers supply small local shops. For Carrefour, this meant that growth of its hypermarket

---

<sup>1</sup> Sources: [www.carrefour.com](http://www.carrefour.com); <https://www.hl.co.uk/shares/shares-search-results/c/carrefour-sa-eur2.5/financial-statements-and-reports>; <https://www.globaldata.com/company-profile/carrefour-sa/>; Carrefour signals turnaround is paying off as it launches €750mn share buyback, Financial Times, 17 February 2022, <https://www.ft.com/content/a3c1fef7-94d1-4495-8f2c-26ae8123e788>; 'Wal-Mart, Tesco and Carrefour do battle in the East: international retailers find mixed fortunes in their expansion strategies', Strategic Direction, vol. 24, no. 2 (2008), pp. 5–7; Peter Child, 'Lessons from a global retailer: an interview with the President of Carrefour China', McKinsey Quarterly, special edition, 2006, pp. 70–81; <https://www.globaldata.com/company-profile/carrefour-sa/>; Carrefour, Annual Report, 2008–22.

business could come only from acquisitions in its local market or from expanding into foreign markets. Its success at following this strategy has varied considerably because of different competitive environments and cultural differences across regions.



Carrefour was the first Western hypermarket company to expand into the Asian market in the mid-1990s. By 2001 it was the third largest retailer in China and had operations in Thailand and Japan. The company gambled that Asian customers would be willing to move from their traditional outdoor markets to purchase at air-conditioned and ‘all under one roof’ hypermarkets. These hypermarkets rely on local suppliers that can offer products at the same price level as those supplied to the local competition and cater to the tastes of locals. For their part, local suppliers are all too ready to enter contracts with Carrefour, which promises to put their products on shelves across the Asian region. Moreover, where local contacts are not readily available or insufficient, Carrefour’s competitive advantage comes from its economies of scale, centralised purchasing and power over the supply chain, plus operations and logistics efficiencies.

In some markets, competition from other Western retailers such as Walmart and Tesco present a greater challenge than local competitors which do not have the global economies of scale. Tesco and Carrefour raced to open the first hypermarket in the Thai market and basically tied. Both their hypermarkets faced each other in a busy Bangkok street. If they want to survive in the long haul, however, Western companies should always be wary of potential local or regional competitors. In Hong Kong, where Jardine Matheson and Li Ka-shing dominate the market, Carrefour was forced to close operations. The group now sees strong potential for further international growth in the large national markets of China, Brazil, Indonesia, Poland and Turkey.

But sometimes the benefits of international expansion are not completely clear. Carrefour and other large retailers have tended to enjoy higher operating margins in their domestic markets. They have also struggled to leverage scale economies on a global basis because, in order to cater to local tastes, hypermarkets must purchase from local producers.

To adapt to changing global markets and to the threat of stronger competitors in its core markets, including France, Carrefour has diversified in two ways. It has focused on locally grown, organic and sustainably produced foods, always popular in France, but increasingly in demand in other

markets. It has also branched out more into e-commerce and financial services for its loyal customer base. The company recently started a trial to deliver orders using autonomous robots in Knokke-Heist, Belgium. Not the first, and not the last retailer to explore this alternative to physical stores for food sales.

## Questions for discussion

1. How can Carrefour compete with local retailers in North America?
2. How can Carrefour compete with local retailers in Asia?
3. What strategy does Carrefour need to succeed in Europe?
4. What is Carrefour's basic strategy and structure?
5. Should Carrefour and other large retailers even attempt to expand internationally?

## Answer

### **1. How can Carrefour compete with local retailers in North America?**

Each region presents unique challenges for Carrefour. North America is already dominated by large players—particularly Walmart—that rely exclusively on low prices. To be able to compete here, Carrefour would have to either be willing and able to employ a similar format to that of Walmart, or seek a quality-based market niche that might result in smaller stores.

### **2. How can Carrefour compete with local retailers in Asia?**

Local retailers do not presently present a problem for Carrefour in developing Asia. In the future, however, the expansion of local retailers from South Korea, Japan and Hong Kong to becoming regional retailers might be a source of competition. Carrefour must ensure that its Asian subsidiaries remain highly responsive to the local markets.

### **3. What strategy does Carrefour need to succeed in Europe?**

The EU has been able to integrate the European market, insofar as eliminating custom duties, having a common stand on foreign affairs and even on laws and human rights. It has not, however, been able, nor was it meant, to homogenise the cultures and the languages of each nation. Thus, consumers are very different from one country to the next. Carrefour, therefore, must also have a decentralised structure within its home region.

### **4. What is Carrefour's basic strategy and structure?**

Carrefour follows a strategy of low economic integration and high national responsiveness in its international operations. Its hypermarkets rely on local suppliers that can offer competitively priced products and supplement this with products acquired through the group's centralised purchasing system. The company is aggressively seeking to expand internationally, yet most of its operations are regionally centred in its home region of Europe. Here, the centralised purchasing system is more important. Carrefour's structure is decentralised. It significantly adapts to the countries in which it operates. This is very important as it seeks to cater to the middle class in these countries and their preferences differ significantly from region to region and from country to country. In Europe, where the company derives most of its sales, customers in each nation in which it operates have distinctive tastes. In Asia, basic food staples and clothing are very different from that in Europe, and it would be inappropriate to sell the same products, at the same time, to Asian customers.

#### **5. Should Carrefour and other large retailers even attempt to expand internationally?**

There are many factors driving large retailers (including Carrefour) to expand internationally, such as saturated markets in their home countries, growing economies in Asia and Eastern Europe, and improving transportation systems all over the world. However, the benefits of international expansion are not completely clear, because Carrefour and other large retailers have been shown to enjoy higher operating margins in their home regions of the triad including their domestic markets. They have also struggled to leverage scale economies on a global basis.