

PROXENIENCE

A quick note to our original subscribers: Apologies for the interruption in this newsletter. I lost access to my LinkedIn account shortly after launching **European Retail This Week (ERTW)**, but publication continued on RetailCities.com. I'm pleased to be back on LinkedIn. You can find the last few weeks of ERTW on RetailCities.com or write to me if you would like back copies. Thank you for subscribing—and for your patience.

This week: How much **future growth** will Europe's leading proximity retailers capture through their own banners – called proximity – and how much through supplying other people's shops – called convenience?

Carrefour's senior management arrived in numbers to discuss three separate, but related, events this week. The first is Carrefour's regularly scheduled third quarter earnings. The second is their decision to acquire *Codifrance*, a wholesaler to small independent neighborhood food stores – aka convenience stores. The third is related to questions from the public about what Carrefour is doing to protect its workers, stores, and partners from the politically-motivated rioting across France's largest cities.

It is the Codifrance announcement that requires ERTW's scrutiny. Branded suppliers need to review this as a future resourcing question. The review should be done against two lenses.

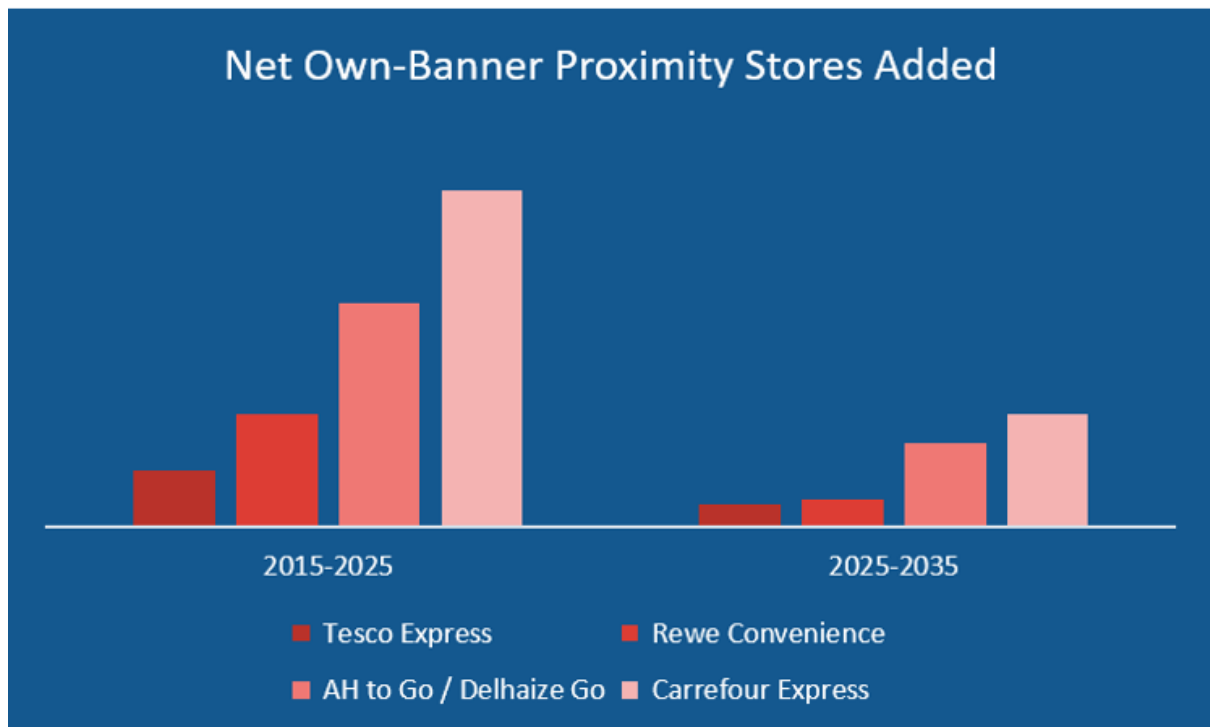
Lens 1: How does this acquisition fit in with Bompard's well-established pattern of accelerating Carrefour's transformation from a hypermarket-focused business in France to a more diversified multichannel operator using Carrefour own-banner positioning?

Lens 2: How does Carrefour's pivot from 'own fascia' proximity growth to 'independent' convenience growth compare to what has happened with Carrefour's peer group in other countries?

When looking at the situation using both lenses, we can reach some conclusions.

Under the first lens, we see a major shift in how Carrefour allocates strategic capital. Bompard himself says the Codifrance acquisition aligns with Carrefour's new "*Proxi*" banner program focused on independents – not Carrefour Express, Carrefour City, Carrefour Bio, Carrefour Montagne, etc. ***This is an asset-light investment program.***

Under the second lens, we can look back at similar pivots from Europe's three largest proximity groups outside of France – Tesco in the UK/Ireland/Central Europe, Rewe in Germany-Austria and Ahold Delhaize in the Benelux/Central-Eastern Europe. All of these are pivots to ***asset-light investment programs.***



In the case of Tesco, they pivoted years ago with the acquisition of *Booker* and supply of products to independent grocery retailers under symbol-group banners such as *Premier*, *Londis*, *Budgens*, and *Family Shopper*.

In the case of Rewe, they acquired *Lekkerland* and then used that as a platform to create a separate division known as *Rewe Convenience*.

In the case of Ahold Delhaize, they acquired *Delfood* in the Benelux – a very similar story to what we saw at Tesco and what we are now seeing at Carrefour.

These four examples demonstrate a strategic pattern - a shift away from asset-intensive investments in own-banner small store expansion to asset-light strategies in existing networks of stores with existing consumer relationships.

They do not, by themselves, demonstrate a better consumer experience, a better business for independent shopkeepers or stronger financial performance across the channel.

Branded suppliers should therefore focus on two resource-intensive conclusions.

1. The exponential growth of large-supermarket groups taking their main banner and slapping the word '**Express**' on the end of it is over. This was always called the proximity channel. So yes, we are saying that the era of double-digit **proximity** growth has ended.
2. The exponential growth of large-supermarket groups taking an interest in independent small-shop retailing still has some white space to go. This was always called the **convenience** channel.

What do you get when big supermarket groups take their proximity strategies and merge them with their convenience strategies? That's a question requiring strategic exploration this week.

We at ERTW suggest that branded suppliers ask three resourcing questions to stay on top in this rapidly evolving space.

- Question one: Do the proximity giants – Carrefour, Tesco, Rewe, Ahold Delhaize - control more or less of the decisions on space management in their own-banner directly-managed *proximity* stores in 2027 than they did in 2022? What about 2032?
- Two: Will independents attached to the wholesale *convenience* arm of a large-supermarket group execute any better than they did before joining the larger group? Do the consumers and occasions in these stores change before/after?
- Three: What are the new margin expectations when you negotiate with the wholesale convenience division - are they calling this proximity, convenience, or proxenience in their negotiations with you?

Wishing you success redefining your proximity or convenience or proxenience strategies this week. We recommend that you keep the negotiations separate but within the same strategic dialog.

About European Retail This Week

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