

Case study carrefour essay sample

[Economics](#), [Trade](#)



1. Introduction

Carrefour is the famous French multinational retailer headquartered in Boulogne Billancourt, France, in Paris. Carrefour means “crossroads” and “public square” in French. Carrefour is the market leader for retail business in Europe & number 2 worldwide after Wal-Mart. It's present in 34 countries across the globe within 14 countries across the MENA region. It is largest hypermarket chain in terms of size. The hypermarket exceeds 2500 meters in terms of space. It is one of the largest hypermarket chains in the world. The third in profit (after Wal-Mart and Tesco). Carrefour operates mainly in Europe; it's also present in North America as for example Argentina and Brazil and in the Middle East in Egypt, United Arab Emirates, Jordan, Syria, Iraq, Bahrain, Oman, Qatar, Lebanon and Saudi Arabia.

Carrefour in the Middle East is managed by Majid Al Futtaim Retail under the umbrella of Majid El Futtaim Group. The holding company is based in Dubai; it owns and operates shopping malls, retail, and leisure establishments in the Middle East and North Africa, with operations in 12 countries and over 24,000 employees. The group was established by businessman Majid Al Futtaim in 1992. Majid Al Futtaim manages three major operating subsidiaries: Majid Al Futtaim Properties, Majid Al Futtaim Retail, and Majid Al Futtaim Ventures.

Majid Al Futtaim Group is one of the MENA region's developers of large commercial retail properties. The group owns and operates 18 shopping malls, 56 hypermarkets and 53 supermarkets, 11 hotels, 9 movie theater locations with 92 screens, 16 Magic Planet sites and 45 fashion stores. In Egypt there are 14 hypermarkets & 9 supermarkets under the

name of Carrefour. In 2015 the company will open a new hypermarket in Tanta.

2. Environmental Scanning

Before considering a strategy whether it's good or bad for the company we must study the environment that the company will work within its frames. So we have the political, economic, social and technological influences (PEST). I'll start with the political & the economic influence; nowadays the political situation in the world is unstable especially in the Middle East, the international trade & the foreign investment are very affected by the instability in the MENA region. The regulation of the international trade

The fluctuation of the exchange rate affects the business of the import and the export. As the commerce of the export depend mainly on the exchange rate between the local currency and the foreign currency, in our case Carrefour export its product under its branding name from Europe mainly from France & Turkey. The world Gross Domestic Product (GDP) is the total production of products and services in monetary value it's mainly calculated on yearly basis, it tends to increase this reflects an improvement on the performance of the global economy. The world inflation rate which means the rate of the prices for goods and services is rising and on the other hand the purchasing power is falling. The inflation rate tends to decrease which affects the cost of the production and the selling prices.

The globally interest rate is the proportion of a loan that is charged as interest to the borrower, the percentage is expressed on annual basis of the loan. This rate tends to decrease which means that the global demand for

credit will expand as the world economy grows and in its turn will open a new opportunities for work in the whole world. The 2 next factors of the environmental scanning are the social and the technological factors. As for the social factor, the growth rate of the population is one of the most important factors because the hand labor is the key for success for any company. The income distribution which means that the equality with the income is dealt out among members of a society. If everyone earns exactly the same amount of money, then the income distribution is perfectly equal.

But this is not the case especially in the MENA region. The level of people living below the poverty line is really huge. The demographics factors such as the age, the family size and the gender all these points are very important as for example in the MENA region the majority of the population are composed from youth people and the family size is really relatively big. The last factor is the technological factor it all related to the technology such the impact of changes in the information technology that facilitate the business between the firms. The internet availability is now an important factor for the infrastructure for any country. The new discoveries and innovation that reflect on the business and open a new opportunity.

3. Porter's Five-Forces Analysis

According to Michael Porter he had explained 5 forces that determine the industry attractiveness and its long run profitability. These forces are as follow: A-The threat of entry new competitors

B-The threat of substitutes

C-The bargaining power of buyers

D-The bargaining power of suppliers

E-The degree of rivalry between the existing competitors

F-Relative Power of other Stakeholders

A) Threat of New Entrants:

A company that wants to enter a new business or a new market to gain a market share but in order to enter this market there are barriers that

Our Vision

Carrefour has one simple ambition to be the preferred retailer wherever it operates. Carrefour achieved a good proportion of this long term objective, it succeeded to be the preferred retailer for the consumers. Carrefour offers for its customer good Our Mission

We are totally focused on meeting the expectations of our customers. Our vision is to be the benchmark in modern retailing in each of our markets. We aim to offer our customers the best price and the best merchandise, in every store, in every country Our Objectives

Providing customer satisfaction – a priority shared by all 364, 000 Carrefour employees. Instilling the retail spirit and a sense of initiative.

Guaranteeing knowledge transfer and grooming the managers of the future.

Encouraging fair and responsible trade.

Giving power back to the stores to satisfy our customers.

Encouraging our employees' professional development.

Promoting diversity.

Carrefour was founded in 1959 in France. Marketing itself as a one-stop-shop providing a wide range of products at a low cost, it is now the second largest retailer in the world and the largest in Europe. In 2012, the company continued expanding their international footprint by adding an additional 283 retail points in France, Europe and Latin America. As of December 31, 2012, the Group was operating 9,994 retail outlets in 33 countries conducting all transactions in Euros. According to the Carrefour's 2011 Annual Activity Report, the Group now features four major retail formats: Hypermarkets, Supermarkets, Convenience Stores and Cash & Carry Stores. Formerly, Carrefour also carried hard discount format stores but this was discontinued in 2010, on top of which Dia sub-group was also eliminated in 2011. Carrefour continues to expand their multi-channel retail forums (Carrefour Drive & e-commerce) in certain strategic locations. The following highlights the breakdown of store formats used:

Above retail formats offer different and diversified product mix combining choices, quality and low prices to end-consumers – with product mainly categorized into: Daily Products, Fresh Products and Non-food Products. By end of 2011, nearly 50% of Carrefour retail outlets were located in France while the other 50% were operating in Europe, Latin America and Asia. Major markets for Carrefour in terms of strategising are France and Europe (Spain, Italy and Belgium). Despite attempts to lead in Asian markets, Carrefour is facing government and tax regulations. Globally speaking, 53% of stores were under the Convenience Store format in 2011.

SWOT

A) Strengths :

Points

Comment

Carrefour is the market leader for retail business in Europe & number 2 worldwide after Wal-Mart.

Carrefour is the largest hypermarket chain in terms of size

The size of the hypermarket is above 2500 meters and for the supermarket it can achieve 2000 meters.

Carrefour offers a remarkable discount for its customers.

Carrefour offers a variety of promotion for its customer every now and then.

Carrefour owns private label brands.

Carrefour sell products under the logo of Carrefour which give him advantage over the supplier and these products can compete other products Carrefour had a strong brand name in the retail industry.

Carrefour is established almost 55 years ago it has a remarkable brand name well known.

Carrefour is present in 34 countries across the globe 14 countries across the MENA region Carrefour is expanding its presence in the MENA region to benefit from the strong brand name and its Carrefour is in the third place worldwide in terms of profit after Wal-Mart and Tesco Carrefour is focusing on the turn over

Strong position in the French market 50% of the sales of the group came from France. As it's a French company it has remarkable position in the French market.

Carrefour has more than 10 million checkouts in the stores worldwide every day.

B) Weaknesses:

Points

Comment

Weak market position in Asia.

Poor e-commerce performance which reflect on the online sales.

Carrefour failed to attract the Japanese customers.

(The consumer behavior of Japanese, the changing fashion trends in Japan, not having a Japanese partner, and the loss of trust in the company and its brands, for the company's failure in Japan)

C) Opportunities:

Points

Comment

Growth rate of the population in the Middle East region

The growth rate in the Middle East is strong point that Carrefour can stress on it; this can offer a huge opportunity to grow its market share.

Poor e-commerce performance which reflect on the online sales.

Carrefour failed to attract the Japanese customers.

(The consumer behavior of Japanese, the changing fashion trends in Japan, not having a Japanese partner, and the loss of trust in the company and its brands, for the company's failure in Japan)

Focus more on the private label products because it can generate more money for the company. Carrefour can acquire more stores to expand.

D) Threats:

Points

Comment

Intensive rivalry between Wal-Mart and Tesco.

Slow global economy growth affects the retail business.

The low prices of Wal-Mart.

Instability in the MENA region may affect their business.

Slow expansion outside France may allow the competitors to have a larger market share.

Conclusion

Carrefour is applying an overall growth strategy. It is increasing its global presence in different countries which opens new markets for it and generates more profit. For example in the MENA region Carrefour expects to reach 79 hypermarkets and 110 supermarkets and expand its territory in 6 new markets. Moreover it's applying a concentration backward integration

strategy as it owns private label products under the name of “ Carrefour”. They are benefiting from their strong brand name in retail industry and they are selling these products in their own stores. In this way they are increasing the sales of these products and decreasing their cost which means that they have an advantage over their suppliers. (A stronger bargaining power over their supplier)