

A study on the Regulatory Environment of the French Distribution Industry and the Intermarche's Management strategies

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Abstract

Despite the enforcement of SSM control laws such as 'the Law of Developing the Distribution Industry (LDDI)' and 'the Law of Promoting Mutual Cooperation between Large and Small/medium Enterprises (LPMC)' stipulating the business adjustment system, the number of super-supermarkets (SSMs) has ever been expanding in Korea. In France, however, Super Centers are being regulated most strongly and directly in the whole Europe viewing that there is not a single SSM in Paris, which is emphasized to be the outcome from French government's regulation exerted on the opening of large scale retail stores. In France, the authority to approve store opening is deeply centralized and the store opening regulation is a socio-economic regulation driven by economic laws whereas EU strongly regulates the distribution industry.

To control the French distribution industry, such seven laws and regulations as Commission départementale d'urbanisme commercial guidelines (CDLIC) (1969), the Royer Law (1973), the Doubin Law (1990), the Sapin Law (1993), the Raffarin Law (1996), solidarite et renouvellement urbains (SRU) (2000), and Loi de modernisation de l'économie (LME) (2009) have been promulgated one by one since the amendment of the Fontanet guidelines, through which commercial adjustment laws and regulations have been complemented and reinforced while regulatory measures have been taken. Even in the course of forming such strong regulatory laws, Intermarche, the largest supermarket chain in France, has been in existence as a global enterprise specialized in retail distribution with over 4,000 stores in Europe. Intermarche's business can be divided largely into two segments of food and non-food. As a supermarket chain, Intermarche's food segment has 2,300 stores in Europe and as a hard-discounter store chain in France, Netto has 420 stores. Restaumarch is a chain of traditional family restaurants and the steak house restaurant chain of Poivre Rouge has 4 restaurants currently. In addition, there are others like Ecomarche which is a supermarket chain for small and medium cities. In the non-food segment, the DIY and gardening chain of Bricomarche has a total of 620 stores in Europe. And the car-related chain of Roady has a total of 158 stores in Europe. There is the clothing chain of Vetis as well.

In view of Intermarche's management strategies, since its distribution strategy is to sell goods at cheap prices, buying goods cheap only is not enough. In other words, in order to sell goods cheap, it is all important to buy goods cheap, manage them cheap, systemize them cheap, and transport them cheap. In quality assurance, Intermarche has guaranteed the purchase safety for consumers by providing its own private brand products. Intermarche has 90 private brands of its own, thus being the retailer with the largest number of distributor brands in France. In view of its IT service strategy, Intermarche is utilizing a high performance IT system so as to obtain as much of the market information as possible and also to find out the best locations for opening stores. In its global expansion strategy of international alliance, Intermarche has established the ALDIS group together with the distribution enterprises of both Spain and Germany in order to expand its food purchase, whereas in the non-food segment, it has established the ARENA group in alliance with 11 international distribution enterprises.

Such strategies of Intermarche have been intended to find out the consumer needs for both price and quality of goods and to secure the purchase and supply networks which are closely localized. It is necessary to cope promptly with the constantly changing circumstances through being unified with relevant regions and by providing diversified customer services as well.

In view of the Intermarche's positive policy for promoting local partnerships as well as the assistance for enhancing the local economic structure, implications are existing for those retail distributors of our country.

Keywords : supermarket, SSM, regulation of opening stores, retail distribution, Intermarche

JEL Classifications : D40, L53, L81.

I. Introduction

1. Raised Issue

SSMs are emerging as a social issue these days. Despite the enforcement of 'the Law of Developing the Distribution Industry (LDDI)' which does not allow SSMs (Super Supermarket with an area size of not less than 1,000m² and below 3,000m²) to be located within 1 km (500m initially) from the traditional markets as well as the 'Law of Promoting Mutual Cooperation between Large and

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Small/medium Enterprises (LPMC)' which stipulates the business adjustment system, the number of super-supermarkets (SSMs) was over 1,000 as of September 2011, with the presence of social controversies like the intrusion on traditional commercial areas, etc. Initially in Korea, the local market for SSM had been created by GS Supermarket which was being operated by GS Retail, but later Homeplus Express and Lotte Super entered into the same market. In particular, the 'Big Three' of Lotte, GS and Homeplus opened 102 stores this year, thus making the total number of stores to be in excess of 840. As a result, the number of the SSM stores from the 'Big Three' has grown to be 818, of which 327 is accounted for Lotte Super, 267 for Homeplus Express and 224 for GS. The number of nation-wide SSMs was 1,026 (including franchisees) where the 'Big Three's portion exceeded 82% of all.

A Super Center in Korea is meant to be a large scale store encompassing all of the discount store, hypermarket, supermarket and membership system club together taking the form of a discount retail business. The total sales of the 'Big Three' Super Centers (E-Mart, Homeplus and Lottemart) had been constantly growing at over 10% a year since 1998, whereas their growth rates have been slowing down since 2007. As of September 2009, the number of newly opened stores did not exceed 10 while Super Centers take their presence in almost all commercial areas in the nation, thus resulting in the reduced speed of their expansion. The total numbers of their nation-wide stores are 137 stores for E-Mart, 125 for Homeplus and 93 for Lottemart, forming a 'Big Three' system. In consideration of

possible unfavorable public opinion, they are cautiously considering the idea of expanding their SSM business.

The types of retail business are diversified in its classification, but they can be divided largely into store-having retailers and nonstore retailers.

In France, Super Centers are regarded to be regulated most strongly and directly in the whole Europe viewing that there is not a single SSM within the city boundary of Paris, which is emphasized to be the outcome from French government's regulation on the opening of large scale retail stores. In precedent domestic studies, Noh (2003) and Seo (2007) had opinion that the objective of protecting small/medium retail stores and restricting the opening of large-scale retail stores has not been accomplished by means of the French distribution regulation. Noh (2003) said that excessive administrative burden and unnecessary restrictive regulation, etc. have been the obstruction factors against market accessibility with his comparative analysis of the distribution regulation focused on OECD countries, whereas Seo (2007) said that, as a result of an analysis focused on France and other advanced countries' relevant policies for Super Centers, such regulations have not brought the originally intended effect of protecting small/medium merchants. The reasons for such can be said to be the enhancement in Super Center's business concentration as well as the inducement of diversification for specialty stores.

On the contrary, there was an opinion that the objective of restricting the opening of large-scale retail stores has been accomplished. There is a study from Korea Federation of Small and Medium-sized Business. According to KBiz, an extreme confrontation between small conventional retailers and large capital owners could be avoided in France and KBiz regards this fact to be the result from the strong regulatory policies enforced by France, thus resulting in two contrary opinions to exist.

This study is aimed to find out implications that could be of any help to those retail distributors of our country by analyzing the regulatory environment of the distribution industry in France where the strongest regulation has been enforced against large scale retail enterprises to protect small/medium retailers, and also by analyzing the management strategies for entering into the Portuguese and Polish markets of the French distributor, Intermarche.

2. Study Method

In this study, in order to find out any impact that may be given to the management strategies of large-scale retailers of our country by both LDDI and LPMC that are emerging as a social issue, it is necessary to consider the theoretical background of the French distribution policies that are known to be the strongest regulation of its kind. Accordingly, in Chapter II, the current conditions of the French distribution industry, distribution classification, brand classification, store opening regulation classification, etc. are to be reviewed and in Chapter III, the French distribution industry policy transition is to be examined. In Chapter IV, the history, status of existing stores, distribution strategies, etc. of the largest supermarket chain in France, namely Intermarche, are to be analyzed and finally in Chapter V, conclusions are to be made.

<Table 1> Business Type Comparison Between Super Center and SSM

Category	Super Center	(Super Supermarket)
Business Type	Discount Store	In between 'Discount Store' and existing small/medium 'Supermarket'
Store Area	3,000m ² and over	300m ² ~ below 3,000m ²
Location	Neighborhood-type, small commercial area (100,000 people) Apartment complex, High-density residential type	Residential, apartment complex, etc. High-density residential area
Traded Items	Foods, convenience goods, household items, practical clothes, Handling diversified items, mainly durable consumer goods	Mainly foods and daily necessity items are sold. Fresh foods for instant use and semi-cooked foods
Commercial Area	5km to 10km radius	Within 1km radius
Parking Area	Simultaneous parking for over 600 passenger cars	For about 30~150 passenger cars
Advantage	Low price, high quality and service	Easy opening in high-density area, Low failure rate, No restrictions for opening, Low cost for store operation
Feature	Volume sales at low margin, Price break, Goods of standard brand	Closely localized living, Capabilities for chain operation
Price Range	Low prices	Medium prices

Source: Ulsan Metropolitan City (2009. p5)

II. Current Status of French Distribution Industry and Its Classification

1. Current Status of French Distribution Industry

First of all, in order to understand the types of retail business such as supermarket and hard discounter store, the European retail distribution business is required to be analyzed primarily for France. Most of them are based on self-service and can be differentiated by store size, product assortment and characteristics of goods. As shown in Table 2, the highest number of stores was accounted for supermarkets while the highest number of employees was accounted for hyper markets. And, in the 2000s, the growth of hard discounter stores was remarkable and supermarkets have been in a struggling position in between hyper markets and hard discounter stores. Supermarkets in France and other European countries are currently applying the same categories of their SSM regulations as those of our country like self-service, store size of 400m²~2,500m², etc.

<Table 2> Number of Stores and Employees By Major Business Type

Type	Store Size	Features of Goods	# Stores	%	# Staff	%
Hyper markets	400 ~2,500m ²	90% of all goods: consumed in bulk quantities like foods	1,526	13.5%	302,900	48%
Super markets	2,500m ²	Over 1/3 of store: for foods	5,501	49.0%	211,300	33%
Maxi discompteurs	400 ~800m ²	Mainly for foods: very low prices	4,223	37.5%	36,400	6%
Total			11,250	100%	550,600	100%

Source: Panorama de branche (2008), rearranged.

An analysis on the French distribution industry has shown that there had been 10 distributors up until 1995, however, in 2009, only 6 distributors were dominating the whole market, namely, Carrefour (Comptoirs modernes was acquired by Carrefour in 1998, Promodes was merged with Carrefour in 2000), Auchan (Docks de France was acquired by Auchan in 1996), Intermarché, E. Leclerc, Casino Guichard Perrachon, and Système U. These distributors appear to be oligopolizing the market with their sales trend to be as shown in Table 3 below.

2. Oligopoly of Distribution Industry in France

As shown in Table 4, three reasons can be cited for the oligopoly in the French distribution industry, which are, the pursuit of outward growth, the desire for strengthening purchase bargaining power, and the pursuit of defensive strategy of corporate control. First, for the pursuit of outward growth, the necessity for expanding the scale to

<Table 3> Sales Trend By Major Distributor (Unit; Billion Euro)

	2000	2001	2002	2003	2004	2005	2006	2007
Carrefour	73.1	78	76.8	78.9	81.4	82	87.4	92.2
Auchan	30.8	35.2	37.5	38.5	39.1	40.4	42.1	44.2
Intermarché	36.3	37.2	38.4	38.4	38	30.3	31.5	32.7
E. Leclerc	23.8	25.1	26	27.2	28.4	28.5	29.4	30.3
Casino Guichard Perrachon	19.1	22	22.8	23	23.2	22.8	22.5	24.9
Système U	10.5	11.7	12.7	13.8	14.7	15.1	15.6	16.8

Source: FCD (2011)

benefit from the scale of economy and the necessity of competition and survival in the market where internationalization is being intensified may be cited. Second, as for the desire for strengthening the purchase bargaining power, the stronger the power of distributors, the deeper the subordinate relationship of suppliers to distributors. Because the coalition mainly through a purchase center is still seen to be kept strong, oligopoly is deepening more by purchasers' side rather than the buyers' side. Third, in pursuit of defensive strategy of corporate control, the corporate market capitalization is to be raised as a means to get prepared against any external threat to management right (Lee & Choi, 2003).

<Table 4> Types of Oligopoly of the Distribution Industry in France

Type	Characteristics
Pursuit of outward growth	Due to domestic market saturation, further internal growth is not expectable.
Desire for strengthening the purchase bargaining power	Larger scale of a distributor provides the effect of scale of economy by enlarging its purchasing power and strengthening its purchase bargaining power against suppliers.
Pursuit of defensive strategy of corporate control right	To be applied not only to distribution business but to all kinds of businesses.

Source: Lee & Choi (2003)

3. Division of Commerce Integre and Commerce Associe

Large scale distributors in France are divided into 'commerce integre' and 'commerce associe.' In the former, the distributors of Carrefour, Auchan, Casino, etc. are included, in which the distributors of both wholesale and retail are also included. In the latter, the distributors of Intermarche, Leclerc, Systeme U, etc., are included and it is an allied form that has been made through a contract or an agreement among independent enterprises mainly at a common purchase center.

Therefore, individual stores are divided into the commerce integre stores which correspond to branches of their parent enterprise and the commerce associe stores which are individual enterprises. One of the characteristics of the large scale distributors in France is that the commerce associe stores take the majority between the above two categories as compared with those in other countries.

4. Distributor Brand Classification

Private brand products are retailer's products that are sold at the retailer's stores with the retailer's trademarks attached on them after going through the process of retailer's planning and production or consigned production on its own risk for the benefit of the consumers of its own stores, which means having a differentiated concept from that of other stores (McGoldrick, 1984). Therefore, the extent of holding as many of the private brands as possible can be a measure of capability among retailers. The private brands in France are divided largely into the two types of the general brand and the store-name brand. The general brand is for those products with improved packaging and quality being sold at relatively high prices through sales promotion like advertisement, etc. and Carrefour, Casino, etc. fall under the category of the general brand. The store-name brand is for those products with the store-name brand attached, being sold as 'generic' at relatively low prices, and Auchan, Intermarche, Leclerc, etc. fall under the category of the store-name brand (Choi, 2003). 'Generic' is a kind of private brand with a brand name being used, but the brand name is not of the retailer but of the manufacturer (NB). Such a 'generic' product is not handled by any other retailers but ordered only by a specific retailer, thus it can be called a private brand.

5. Opening Store Regulation Classification

In general, as a regulation on the distribution industry, there is the regulation on opening stores by large scale retailers that is closely related to city planning and the Sunday business hour regulation that has been derived from the religious social background.

In France, the authority to approve store opening is highly centralized. The store-opening regulation is a socio-economic regulation driven by economic laws in France, Italy and Spain, etc. where the regulation on the distribution industry is relatively strong, which can be differentiated from that in UK and Germany where the intensity of regulation is relatively weak with only the regulation existing on city planning.

III. Policy Transition of the Distribution Industry in France

1. Fontanet Circular and Distribution Policy

Today France is a country where large scale stores are strongly regulated, but the period from after the World War II until the sixties was an era of economic growth with population increase, urbanization, car-ownership proliferation, and income increase, etc. and during this period the distribution industry had been developed with the increase in large scale retailers such as self-service type supermarkets, hyper markets, etc. caused by the changes in circumstances from the conventional small-scale retailer orientation. With the needs to cope with such changing external environment, the

installation of commercial facilities in the local development planning areas was being pushed strongly by establishing the ZUP (zone a urbaniser en priorite), which was materialized later in the Fontanet Circular.

The Fontanet Circular, as the first governmental guidelines on commercial facilities dated August 24, 1961, are the general guidelines not only on the provision of sufficient commercial facilities but also on securing a minimum store area size by constructing a shopping center building with a plan to conform to the large scale residential site development as a result of the urbanization move.

2. Local Government Advisory Committee and Distribution Policy

Such development in the distribution industry has created many difficulties to the small/medium retailers in both cities and rural areas. Dated on July 27, 1969, the French government amended the Fontanet Circular. Mainly with the governmental authority, mayors will be responsible for the development plans, of which the relevant agency will take charge. Between each two departements, a cooperative system will be provided and they will not intervene in determining the type of facilities while it will be mandatory to carry out a preliminary investigation as for entrance/exit and parking lots. It has been stipulated that a review by CDLIC (Departmental committee of commercial zoning) of the metropolitan government unit consisting of experts will be carried out when preparing a city planning in recognition of the importance of commercial facilities, and comments will be attached after carrying out a prior investigation and review regarding the commercial facilities with the floor area of 10,000m² and over.

Since the amendment of the Fontanet Circular, seven laws and regulation of the CDLIC Guidelines (1969), the Royer Law (1973), the Doubin Law (1990), the Sapin Law (1993), the Raffarin Law (1996), the SRU Law (2000), the Law on the Modernization of the Economy (LME: 2009) have been promulgated one by one, and regulatory measures have been taken by complementing and strengthening the commercial adjustment laws and regulation.

3. The Royer Law and Store-Opening Regulation

In the measures enforced first after the amendment of the Fontanet Circular, it was stipulated that, in the Law No. 69-1263 Article 17 dated December 31, 1969 taking special measures regarding the economy and financial order, a prior examination procedure should be followed when issuing a construction approval on commercial facilities of over 3,000m². The so called Royer Law was enacted on December 27, 1973 regarding the policies on commerce and manual industry. The official name of this law is the Law for Establishing the Orientation of Commerce and Manual Industry, but it is commonly called the Royer Law after the name of the bill proposer. The objective of this law was to encourage the balanced development of diversified commercial businesses while giving respect to the principles of national land improvement and environmental conservation as well as to contribute to the balanced recovery of city

areas through developing the central part of the city area restricting disordered increase of the new distribution type (www.pme.gouv.fr). What was focused upon especially by the Royer Law was to restrict the entry of large scale stores in order to protect small scale stores in the central part of the city area. The limit requiring a prior approval when opening commercial facilities was stipulated to be the store area size of 1,500m² or over in a region with not less than 40,000 residents and was lowered to be the store area size of 1,000 m² or over in a region with below 40,000 residents. Meanwhile, for the expansion of the store area of over 200m², a prior approval should be obtained if the store has reached its upper limit or exceeded it. Also with the decision right granted to the Metropolitan Government Commercial City Planning Committee (CDUC), the roles of CDUC was strengthened which had been nothing more than an advisory committee (Hahn, 2009).

4. Store-Opening Regulation of the Doubin Law and the Sapin Law

The Doubin Law was complemented by the Law No. 90-1260 dated December 30, 1990 with the special measures on the commercial stores as occupants of the same direct commercial buildings in the regulation of the Royer Law. With the Law No. 93-122 (Law Sapin) dated January 12, 1993 regarding the prevention of corruption and the transparency of economic living and public procedure, and also by modifying the existing institutions, the Sapin Law has changed the nature of the Domestic Commercial City Planning Committee (CNUC), which used to be a simple advisory committee, so that it can be agencies for appeals (demurrer, prosecution) against the decisions from the Metropolitan Local Government Commercial City Planning Committee, and also this law has changed the names to CNEC (The National Commission for commercial equipment) and CDEC (The county committees of commercial equipment) respectively while reducing the number of the metropolitan government committee members from 20 down to 7. The examination criteria indicators of CDEC are ① overall supply and demand within the commercial area ② density of large and medium scale retail facilities ③ potential impact as expected on existing commercial bodies ④ necessity of unrestricted competition for each individual retailer type, and these are to be satisfied.

5. Store-Opening Regulation of the Raffarin Law and the SRU Law

The Law No. 96-603 dated July 5, 1996 is called the Raffarin Law, which was amended from the Royer Law. Despite the regulations of the Royer Law, the number of hyper markets had increased greatly and the balance among the types of retailers was judged to have been broken, which caused the Royer Law to be amended for stronger regulation.

Such regulation was so strict that the reference area size difference by city population scale was lifted off making the reference area size to be 300m² and over for all regions. In other words, stores with not less than 1,500m² of area size in a city of 40,000 or over population,

and with not less than 1,000m² of area size in a city of below 40,000 population were subject to an approval process, but with the amendment, stores with 300m² or over of area size became to be subject to an approval process. Also for new opening or expansion of the stores with the area size of 6,000m² or over, it became mandatory to carry out an open examination regarding the impact to be followed by the establishment of the applicable retailer, and the number of the metropolitan government commercial facilities committee members was lowered to have only 6 members of which 4 members (2/3) instead of a majority have to cast votes in favor for an approval, while the examination period extended to be 4 months instead of 3 months until then. For increasing the store area size without an approval, the penal clauses were strengthened. As a result, changes in business lines or area expansion were controlled, and even automobile sellers or gas stations annexed at a shopping center of not less than 1,000m² were under regulation in principle (Seo, 2007).

The SRU Law (solidarity and urban renewal) of the Law No. 2000-1208 dated December 13, 2000 regarding the solidarity and urban renewal has added the new three criteria while urging the examination on the effectiveness and impact from SCOT (Territorial Coherence Plan) when construction inspection is being carried out for commercial facilities. The three criteria are ① Impact assessment on traffic (cars of customers and for delivery) of applied commercial facilities ② quality of traffic means including public transport or alternative means ③ Capacity for loading and unloading of goods.

6. Store-Opening Regulation of the Law on the Modernization of the Economy

A committee (namely, the Commission Attali for promoting competition to increase the growth and purchasing power of the French economy has been established. In its first proposal of October, 2007, the Commission Attali insisted that the Galland Law, the Royer Law(1973) and the Raffarin Law(1996), which had been in enforcement until then, should be abolished because such laws were obstructing the freedom of distribution and commerce. In response, the French government prepared LME (the Law on the Modernization of the Economy) on May 2, 2008, of which important contents on distribution were ① the area size requiring an approval from the authorities for opening a retail store was raised for 1,000m² from the existing 300m², ② for opening stores of 300~1,000m² scale in a city of below 20,000 population, opinions may be requested from CDAC by holding a meeting of CDAC (Commission Departementale commerciale development) because the impact from a large scale retailer's presence in a small city may be large. In January, 2009, the name of CDEC was changed to CDAC based upon the the Law on the Modernization of the Economy, ③ liberalization of price settlement (negotiation) was adopted between large scale retailers and suppliers, ④ balanced recovery of densely populated regions was aimed by promoting the business activities in the central part of city areas, ⑤ business activities of the commercial facilities in rural towns and mountainous areas were arranged to be maintained, ⑥ local government with SCOT was made possible to make rules on the commercial city planning of the districts under its control and if not

appropriate for SCOT, it was made possible to restrict the entry of large scale retailers.

<Table 5> Change of Major Policies Regarding the Distribution Industry in France

Name of CAW (Yr/Mo)	Major Contents of Commercial Adjustment Law (CAW)
Fontanet Circular(1961/08)	Provision of sufficient business facilities in residential complexes
7/29 Guidelines (1969/07)	Establish the Metropolitan Government Advisory Committee (CDLIC) for reviewing commercial facilities
CDLIC Guidelines (1969/12)	Approval after examination for commercial facilities of not less than 3,000m ²
Royer Law (1973/12)	Regulation on new establishment of 1,000m ² and over, and expansions of 2,000m ² and over. Approval authority granted to the Metropolitan Government Commercial City Planning Committee.
Doubin Law (1990/12)	Special measures for retailers of shopping center occupants
Sapin Law (1993/01)	Authorize the Domestic Commercial City Planning Committee to be an appeals agency
Raffarin Law (1996/07)	Requirements for approval: 300m ² for new opening and expansion, Open examination to be mandatory for stores of 6,000m ² or over
SRU Law (2000/12)	3 criteria to be added regarding examination for approval
LME: Law on the Modernization of the Economy (2009/01)	When opening a retail store, the size limit for approval to be raised up to 1,000m ² . Based on SCOT, opening of large scale stores to be restricted.

Source: Hahn (2009)

IV. The Largest Supermarket Chain Enterprise in France, 'InterMarche'

1. History of InterMarche

In 1969, when Edouard Leclerc and Jean Pierre Le Roch established a new independent company as separated from the Leclerc Group, it was called not InterMarche but Enterprises. The 75 stores of this group in the initial period was started with the store name of 'EX' having the nature of free chain stores without any strict restrictions like Leclerc. As for the store type, the core type of the InterMarche Group was the supermarket chain whereas that of Leclerc was the hyper market chain and as a result this group has become the largest supermarket chain in France (Oh et al., 2004). In 1974, 5 years after its establishment, its number of stores was doubled to be 150. At InterMarche, an aggregate of independent retail businesses, their philosophy is known to be 'Independence with Interdependence.' It is mandatory for the president of an independent store to carry out any tasks of the whole group free of charge in addition to his own share of store work, and slogan of 'the whole for each one and each

one for the whole' is being practiced.

Since then, InterMarche (ITM ENTREPRISE - Les Mousquetaires) established the DIY and horticulture specialty store of Bricomarche (1500 and 2300m²) in 1979 and established the traditional restaurant specialty store of Restaumarche (300m²) in 1980. It established the automobile center and fast food specialty store of Stationmarche (700m²) in 1982, whose current name has changed to be Roady. Later, the clothing specialty store of Veti (1000m²) was established and in 1986, it established the local food specialty store of Ecomarche (400,600,800m²). In 1988, it created Le Relais des Mousquetaires of local store type in order to relieve the lack of service in rural areas. In 1989it created CDM (Comptoir des Marchandises, changed to Netto in 2001, Food stores [650m²]).

<Table 6> Current Brands of InterMarche

Year	Brand Name	Logo	Business Type	Size	Type
1969	InterMarche		Supermarket Chain	2000 ~ 2500m ²	Food stores
1979	Bricomarche		DIY and Horticulture Specialty Store	1500 ~ 2300m ²	Non-Food
1980	Restaumarche (To be changed to Poivre Rouge by 2011 end)		Traditional Restaurant	300m ²	Food stores
1982	Stationmarche (Changed to Roady)		Car Center/ Fast Food	700m ²	Non-Food
1986	Veti		Clothing Specialty Store	1,000m ²	Non-Food
1986	Ecomarche		Local District InterMarche	400/600/ 800m ²	Food stores
1988	Le Relais des Mousquetaires		Rural Area Food Store	100m ²	Food stores
1989	CDM (Changed to Netto in 2001)		Hard Discounter Store	650m ²	Food stores

Also in 1988, it exported models to Spain and opened No. 1 store of InterMarche. In 1991, its supermarket stores were opened in Portugal and Belgium, while those were opened in Poland through its alliance with Polish COMM later in 1997.

To further expand the group, the European DIY purchasing groups of Rona in Quebec and Arena established a distribution firm through affiliation in the area of DIY goods in 1997. Developing the INTEREX brand, it opened the first Sarajevo store in Bosnia of the Balkan peninsula in 1999 and later in 2002 and 2004, it opened stores also in Rumania and Servia respectively. In 2002, it signed a food store cooperation agreement with the Spanish EROSKI Group and in 2005, it created the ALIDIS Group in cooperation with the German EDEKA. In 2009, the year of its 40th anniversary, it adopted a new visual identity of the Les Mousquetaires Group.



<Figure 1> Les Mousquetaires Corporate Identity (CI)

2. Current Stores and The Network

Les Mousquetaires consists of the food segment and the non-food segment. The typical brands of the food segment are InterMarche, Netto, RestauMarche and Poivre Rouge.

Established in the form of supermarket and hyper market in the whole Europe, InterMarche is always supplying fresh products at low prices and used to be a closely localized type with the store locations around residential areas and in the relationship between its staff and customers. It has 2,300 stores in Europe where it has 1,792 stores in France, 231 in Portugal, 74 in Belgium and 145 in Poland. InterMarche has 4 kinds of styles in store size and they are INTERMARCHE HYPER, INTERMARCHE SUPER, INTERMARCHE EXPRESS, and INTERMARCHE CONTACT. First, the InterMarche Hyper is a large scale supermarket with 4,200m² scale where food items (manufacturers' brands, local and seasonal goods), technological goods, small and large electronic goods, textile goods, etc. are offered. Second, the InterMarche Super is divided into two categories of 'Super General' and 'Super Food.' A Super General store is a general type of supermarket with 2,000m² of store scale offering a balanced range of food and non-food items. At a Super Food store of 2,000m² scale, 90% of offered goods are food items like organic food, fair trade products, snacks, ethnic food and health products. Third, the InterMarche Express offers a complete range of food items in its stores of about 700m² each in major cities and city areas in order to satisfy all the needs of a family. As a 100% self-service system, the product range consists of both semi-processed and finished goods types. Fourth, the InterMarche Contact is based upon customers at agricultural (rural) towns with its size of about 1,000m² each focusing on the conveniency for local residents.

The food distribution discount chain of Netto was CDM(Comptoir des Marchandises) in 1991 and the name was change to Netto in

2001 having 402 stores in France. The standard area size of a Netto store is 650m². Netto stores are hard discounter stores developed to confront against Aldi and Lidl that were entering into French markets from Germany and their objective is to sell food oriented daily necessities at lowest prices. However, the store concept is determined by whether fresh food items are handled or not, and Netto has the special feature that its selling prices are almost equivalent with those of InterMarche. A RestauMarche restaurant is a traditional family restaurant with about 150 seats. It is usually located within large scale stores of InterMarche or BricoMarche. It provides appropriate table service, local specialty products and high quality diversified menus while it offers highly competitive price setting and diversified fresh foods. Poivre Rouge was started in June 2010 as a restaurant and grill chain. It is a steak house restaurant into which the latest consumer tastes have been integrated. The highest quality and prices are offered at all of the 4 Poivre Rouge restaurants and all the RestauMarche restaurants were scheduled to be replaced by those of Poivre Rouge by the end of 2011.

Typical non-food brands are BricoMarche and Roady.

BricoMarche has a total of 620 stores composing 534 stores in France, 30 in Portugal and 56 in Poland, handling such 5 kinds of products as DIY, equipment, horticulture, decoration and animal while being located in the vicinity of InterMarche. Its standard store size is between 540m² and 3500m². Roady was started in 1982 with its former name of Stationmarch which was changed to Roady later and is providing car maintenance, specialized equipment and repair, chain service and accessories (interior and exterior facilities, sound equipment, tuning, multimedia, etc.) at discounted prices as well as car spare parts (tire, brake, shock absorber, exhaust, etc.). It is a chain with a total of 158 stores that are 131 stores in France and 27 in Portugal. Its standard store size is 700m².

3. Management Strategy of Mousquetaires

3.1. Distribution Strategy

In view of the management philosophy of Mousquetaires, it is being emphasized in the distribution business that in order to sell goods cheap, buying goods cheap only is not enough, accordingly goods should be managed cheap, systemized cheap and transported cheap. The original idea of the founder of the Mousquetaires group regarding the distribution stage was to develop a logistics structure that would help minimize their storage spaces for maximizing the



<Figure 2> Four Kinds of InterMarche Brands

selling regions of the stores. Therefore, it was in such a way that if a highly functional logistics method could be developed, the lowest price was to be guaranteed. With regard to the purchase and delivery for supplying goods to stores at the lowest cost, Mousquetaires developed his own logistics structure. It consists of: ① the platforms for putting all kinds of goods (fresh, dried, general non-food goods) in local warehouses are to be positioned near the roads and the agricultural areas so that goods can be delivered to stores easily by trucks multiple times a week, ② fresh and high quality products are displayed in the store, ③ utilizing strong optimized IT tools needed for supply management and shipping of goods, and ④ always creative human resources are to be held for developing innovative solutions. The logistics subsidiary of Mousquetaires is in possession of almost 9,500 employees and 2,300 trucks. It has a delivery capacity of 3.1 million tons of goods per year (delivery of 850 million units of goods annually) and a storage capacity of 13 million square meters having 38 logistics bases in France and 6 bases in other parts of Europe.

3.2. Quality Assurance

In order to keep the purchasing power of customers as well as to provide more of the free choices to customers in the viewpoint of product quality and price, and as the first distributor that has created its own product brands, Mousquetaires guaranteed the safety of purchase for consumers by attaching its unique symbols on clean, compact and labeled food products. Since 1969, Mousquetaires has been creating trademarks to provide consumers' better understanding about manufacturers' brands. This is to maintain the supplier's independence by ensuring the safety of food products and also by offering competitive prices in order to satisfy consumer needs. These days, Mousquetaires has differentiated its group from others by introducing and launching unique products for customer service. And consumers have been recognizing that the Mousquetaires' own product brands are overwhelmingly safe among all the brands being supplied to the group. Recently in France, one of the two products of Mousquetaires' own brands that have been sold in stores as the market leader has turned out to have been sold due to the aspects of Mousquetaires' tradition and its economic product brand image. In October, 2006, the new symbol of "Selection DES Mousquetaires" was inaugurated being shared commonly by all its own product brands.

In order to get closer to the consumers and to meet their expectation in the aspect of the product origin, the phrase logo of "Selection des Mousquetaires" was required to be attached on the packages of all the products from the manufacturer so that the manufacturer's promise for meeting the conditions given by Mousquetaires could be seen. "Selection" was the sign for indicating that the product was easy for use and safe as secured by the group's quality selection, which was easily identifiable by consumers with the attached logo of Mousquetaires. Today, in order to maintain the consumer's image of brand reliability, the group has made the reference points undisclosed so that consumers can minimize impulse buying and be given priorities in selecting goods.



<Figure3> Quality Assurance "Selection"

3.3. Major Brands

Mousquetaires has the largest number of distributor brands among all the retail enterprises in France. InterMarche has 90 food and non-food brands including Jean Roz for meat, Monique Ranou for cooked meat, Claude Leger for delicatessen, Odysse for seafood products, and Domédia for housing and leisure products. In the DIY area, Bricomarche offers 15 brands for highest quality and suitable price including Nuance for interior and exterior paint products, Boisilor for varnish products, and Jardibest for gardening tool products. Rody has 2 kinds of its own brand, one of them is Ecauto for batteries and incandescent lamps and the other is Rody for oil and fat products, roof repair products and trailers.

3.4. IT Service

IT service is utilized in a number of businesses. It is to search market information as well as to find out the best locations for opening stores. It allows the lowest investment cost, designing and construction of stores to maintain the identity of visual sharing, reduced operation cost by pursuing facilities and consumables, and utilization of financial application programs to obtain the best financial terms from the financial partners.

Information flow (daily orders, delivered documents and invoices) through the high performance IT system "STIME" and head office's independent control are secured and costs are adjusted through IT integration. It also allows to save time by enabling the best inventory management, to reduce the time for calculating consumer's products loaded in shopping baskets on the basis of the information on product distribution, and to reduce the time needed for managing appropriate inventory levels in stores. Today, 600 experts of Mousquetaires' IT team are engaged in IT-related development and management activities.

3.5. Global Expansion

There is the ALDIS Group whose strategies are oriented toward the globalization through international cooperation. The ALDIS Group was created on September 24, 2002 to expand mass purchase of food items on an international basis. The three independent distributors of the Mousquetaires Group in France, which is the third largest group in European purchasing structure and cooperative relationship, the EROSKI Group in Spain and the EDEKA Group in Germany have jointly created the ALDIS Group. The ALDIS Group is providing networks to the 3 groups of which the share taken by the Mousquetaires Group is the largest. Next, the EROSKI Group in Spain is the third largest distributor in Spain having EROSKI hyper

markets, EROSKI centers and EROSKI city supermarkets. Finally, the EDEKA Group is the largest food distributor in Germany having group-brand supermarkets, independent low-price supermarkets and discount stores. The ALIDIS Group has become to own the third largest purchasing structure with over 18,000 stores in 9 countries and over 80 billion euros of cumulative sales.

The ARENA Group belongs to the non-food segment. This group was created in 2000 jointly by 11 international distributors for purchasing large volumes of non-food items. Thanks to the ARENA Group, Bricomarch of the Mousquetaires Group could secure its international purchasing capabilities, thus enabling the enhancement of the quality and price competitiveness of its products for consumers.

Mousquetaires has been in co-operational relationship with overseas distributors since 1997. Zeus has over 1,700 stores in Germany being the fifth in the DIY area and the first for retail distribution. With the affiliation with the Republic of South Africa and MICA South of UK it takes 19% of market share. It also established a cooperative relationship with Mica Plus Ltd that is operating 200 stores in South Africa and with MICA Hardware that has 160 stores in the UK. DITAS is a Danish chain of 450 stores, of which 250 stores are DIY specialty stores and its market share in Denmark is 45%. The Australian MITRE10 has 900 stores taking 15% of market share in Australia. BRICOSTORE has 14 stores throughout all the regions of Hungary, Rumania and Croatia. The Chinese HOME MART DECORATION LTD has 29 DIY-related chain stores in the largest cities in China. The Swiss JUMBO-MARKT AG has most of its 39 stores in the northern part of Switzerland as its base network and the Italian BRICOFER is a DIY chain having over 100 stores as its base, of which 75% are franchisees.

V. Conclusion

Large scale discount stores that have appeared in our country have evolved to be of a unique nature, so that after the foreign type of a discount store had been introduced, its nature was transformed by reflecting the domestic consumers' characteristics. It takes a compromised form between the food-oriented US Style supermarket and the non-food mixed European hyper market. To cite typical features of Korean-style discount store, they can be such that the food items take the majority in product assortment, that convenience for housewives is under prior consideration, that the physical structure is normally not a single-storied wide floor but a multi-storied building due to high land costs, and that fancy interior structure is provided like a department store. Such features seem to be inevitable due to the purchasing pattern of Korean consumers, while they are judged to have formed by developing the customer oriented business type and operational strategies (Woo-chaee Lee et al., 2003). In the management strategy of such a Korean style market, "where" to proceed is important while "how" to proceed is also important and due to such reason It is intended to find out implications from the strategies of Mousquetaires.

First, when a free chain store is to be opened in an overseas market by Mousquetaires, the branch manager or the president of the

overseas store is nominated to be not a Frenchman but a local person. This was due to the judgement that the president should be a person who can understand the homogeneity and emotion of customers so that he can adapt himself to the market environment.

Second, regarding the locations in commercial areas, there are about 4,000 stores in Europe. In France, the distance of 17 km between any two stores is being maintained and it is understood that there should be enough number of stores in rural towns as well. Also to optimize the store environment, a human scale has been applied and the number and location of stores and scale operation have been prepared together from the initial stage.

Third, in order to maintain the convenience for specific users, the store size reanges between 300m² and 6,500m² and the products of self product brands, those of manufacturer's brands and the products that meet consumer's need within a low price range are to be provided.

Fourth, in all the stores of Mousquetaires, automatic teller machines, photography booths, copying machine, royalty cards, changes in goods or reservations, etc. are to be provided to induce customers and a complementary system is to be developed for providing what is needed by customers while taking the concept of diversified service as the store concept.

Fifth, as a part of local cooperation, local economic bodies have been in cooperation through policies for positive local partnership building and a number of cooperative relationships have been established with local enterprises, and currently, in order to ensure long-term growth and sales through over 5,000 partnerships, efforts are being made to promote a balanced growth with small/medium industries.

Sixth, the marketing strategy is to supply over 90% of all product at cheap prices through establishing partnerships with 1,200 companies in France.

Seventh, In the food segment of fruits and vegetables, meat products or wine, 8 purchasing locations have complete knowledge on local production, and in order to meet the expectations of consumers, a purchasing company is to be established in the center of production area.

Eighth, As a specific action to assist the local economic structure, long-term supply of high quality products from local suppliers are to be guaranteed.

Ninth, in the meaning of contributing to the local economic development, the needs of local societies are to be satisfied through playing a role in assisting job creation and through providing information on the networks of local production and sales.

The implications given by the management strategies of Mousquetaires as discussed in the above to the retail distributors of our country are: first, regarding the price and quality price for store opening strategy, consumers' needs should be understood completely, second, local experts should be utilized 100% and closely localized network of purchase and supply should be secured, third, complete unification with local counterparts will be needed in a friendly atmosphere, fourth, diversified consumer services should be provided, finally, efforts should be made promptly to cope with the constantly changing environment and to promote planning, research and

development of new products so that consumers can feel safe and recognize the quality of every offered product.

In this study, efforts were made to present specific measures of management strategies that will be needed by domestic retail distributors with the enforcement of the Law of Promoting Mutual Cooperation between Large and Small/medium Enterprises (LPMC) and the Law of Developing the Distribution Industry (LDDI) in our country, by reviewing the management strategies of InterMarche, the largest retail distributor in France, which has been and will be entering the other part of European markets strategically to cope with the regulatory environment of the distribution industry in France.

However, some difficulties have been encountered in collecting, analyzing and validating the relevant data and information due to the fact that systematic researches are not sufficiently available especially in the aspect of the regulatory environment of the distribution industry. Therefore, it is aimed to try to derive an optimal research model by carrying out a comprehensive analysis on the management strategies of the European retail distributors that have been experiencing governmental regulations existing both in France and other parts in Europe.

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