Carrefour stays put in S'pore and Malaysia

It says it can 'create more value' by growing chain; sale later on possible, say analysts

By Huang Lijie

THE widely anticipated sale of Carrefour's hypermarkets in Malaysia and Singapore is off.

The French retail giant, which made the announcement yesterday, said it is convinced that it can "create more value" by keeping and growing its two stores here and 23 outlets in Malaysia than by selling them.

Business analysts, however, told The Straits Times it is possible that the hypermarket giant may sell off its stores later, after it has expanded in Singapore and Malaysia and is able to fetch a higher price for the outlets.

The stores were up for auction in September and among those said to have put in bids were retail rivals such as the Dairy Farm group, which operates eight Giant hypermarket stores here, and local supermarket chain FairPrice, whose hypermarts are called FairPrice Xtra.

Carrefour's chief executive, Mr Lars Olofsson, said in a statement yesterday that the sale was an option that came up as part of its "strategic review" of assets in South-east Asia.

Originally, the planned sale was for stores in Singapore, Malaysia and Thailand. On Monday, its 42 outlets in Thailand were sold to French retail group Casino for €868 million (S$1.5 billion), almost double that of earlier industry estimates. So industry observers did not expect the sale in Malaysia and Singapore to be called off.

Both Dairy Farm and FairPrice declined to comment on the cancelled sale, although business analysts say this twist in events would have foiled attempts by Carrefour's rivals to weed out a competitor and expand their market share.

According to market research firm Euromonitor International, Carrefour had a 25 per cent market share of the hypermarket industry in Singapore last year, based on retail value. Dairy Farm was tops with almost 48 per cent market share while FairPrice had about 21 per cent and Sheng Siong 6 per cent.

Last year, the retail value of the local hypermarket industry grew almost 13 per cent to $689 million.

Still, Associate Professor Nitin Pangarkar of the National University of Singapore's business school said the cancelled sale is not a setback for interested bidders who are Carrefour's rivals, because they can better focus on their existing business.

Dr Lynda Wee, an adjunct associate professor of retail at the Nanyang Technological University, said a possible reason for the cancellation could be that Carrefour was not able to strike a deal on its terms.

On Monday, Carrefour's 42 outlets in Thailand were sold to French retail group Casino for $1.5 billion, so industry observers did not expect the sale in Malaysia and Singapore to be suspended. The stores had been put up for auction in September. PHOTO: REUTERS

She said disagreements over sale terms could be over a range of issues, from bids that were lower than expected to the buyer rejecting contracts that Carrefour had inked earlier with its suppliers and landlords.

Mr Olofsson dismissed speculation of low bids in his statement by saying it had received "good offers".

Mr Peter See-Toh, managing director for retail services at Knight Frank, said another reason for calling off the sale could be that Carrefour genuinely plans to grow its presence in Singapore and Malaysia. He said: "But it will be a challenge since competition is strong in Malaysia and its economy of scale in the region is reduced after the sale of its Thailand stores."

Dr Srinivas Reddy, associate dean of the Lee Kong Chian School of Business at the Singapore Management University, said: "Assuming the sale was initially meant to allow Carrefour to concentrate on emerging markets, such as China, it may grow the business here and in Malaysia to a critical mass before selling it off at the right time for the right price."

Mrs Sarah Lim, senior lecturer of business at Singapore Polytechnic, said the cancellation is good news for consumers because they have more places to shop and a wider variety of merchandise to pick from.

Baker Jessie Jesudason, 67, said: "I am glad Carrefour was not sold because they have interesting wines and cheeses that I cannot find at other supermarkets."

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