Retailer Carrefour steps up digital push and inks deal in China

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Carrefour’s new chief executive pledged to slash costs, step up investment in e-commerce in the face of competition from Amazon and open up the capital of Carrefour China to local investors, as part of a plan to boost growth at the world’s second-largest retailer.

Alexandre Bompard, at the helm since July, faces the challenge of improving Carrefour’s core French business, where it has been losing market share to unlisted rival Leclerc. He is also aiming to boost profitability and cash flow, and speed up the company’s expansion into e-commerce, where Carrefour was late to invest.

Carrefour, Europe’s largest retailer and the second-biggest in the world behind Wal-Mart, will invest 2.8 billion euros ($3.43 billion) by 2022 to accelerate its online offer, six times more than current investments.

Carrefour was late in investing in digital despite the threat of Amazon, whose acquisition of U.S. food retail chain Whole Foods has triggered speculation that the U.S. online giant is looking to crack the European market next.

Earlier this month, investors welcomed Carrefour’s acquisition of a stake in online fashion retailer Showroomprive.com, and analysts said they wanted more moves by the company in this area.

In China, Carrefour has spent years trying to fix its business, and it is still making a loss in the country amid fierce competition from local players and a buoyant online market.

CHINESE DEAL, JOB CUTS

In response, Carrefour announced a preliminary deal with Internet giant Tencent and local retailer Yonghui regarding a potential investment stake in Carrefour China. Carrefour will remain the largest shareholder of Carrefour China.

A weak performance in France, which accounts for 47 percent of Carrefour’s sales and 44 percent of operating
profit and where struggling hypermarkets still dominate, has weighed on group profitability and hampered the performance of its shares.

Carrefour unveiled plans to cut costs by 2 billion euros on a full year basis by 2020, simplify its organization and store network, and accelerate its expansion into convenience stores.

Carrefour added that a voluntary redundancy plan would be offered to 2,400 employees at its head office in France, out of total workforce of 10,500.

Carrefour is the largest private sector employer in France, with 115,000 French staff out of a global workforce of 384,000.

The job cuts threaten to put Bompard on a collision course with powerful French unions, such as Force Ouvriere, which has already called for a day of protests on Feb. 8.

Bompard unveiled the plan after Carrefour said last week that its 2017 operating profit could fall by 15 percent amid weak sales. This marked its second profit warning in six months.