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Press release

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Global Powers of Retailing: retail sector grows during the pandemic – Migros and Coop shoot up the ranking

In 2020, the first year of the pandemic, global retail sales increased by 5.2% – the second rise in succession. The two Swiss retail giants Migros and Coop even recorded growth above the global average. After a weak previous year, they moved up in the ranking of the consulting and auditing organisation Deloitte: Migros by four places to 36th, and Coop by seven places to 39th. The luxury brand company Richemont also gained ground, climbing three places to 93rd. Dufry, the global duty-free shop specialist based in Basel, was hit by the sharp decline in air travel and dropped out of the ranking.

Most companies increased their sales and margins and emerged from the crisis stronger than before. However, it should be noted that, against this backdrop of solid growth, consumer sentiment and behaviour have changed significantly. Some of the effects may only be temporary, but other developments are here to stay. The transformation has been shaped by three trends in particular: sustainability is playing an increasingly important role; the consumer durables segment is seeing the strongest growth; and the market is becoming more concentrated, due mainly to digitalisation and logistics.

The greener the brand, the more loyal the customer
Almost all retail companies in the Top 250 have published figures for environmental, social and corporate governance (ESG). They have been driven to do so not just by pressure from regulators or investors but, above all, by the behaviour of their customers. For example, according to Deloitte's regular global survey *State of the Consumer Tracker*, 55% of respondents purchase sustainable products or services every month and 32% are willing to pay extra for them.

Among millennial and Generation Z consumers in particular, sustainability is a conscious choice – not for individual products but, rather, at a company and brand level. Karine Szegedi, Partner and Consumer Industry Leader at Deloitte Switzerland, says: "Customers don't want to have to check each product individually. They therefore need companies they can trust. It tends to be a case of 'the greener the brand, the more loyal the customer'."

According to Deloitte's *Global State of the Consumer Tracker*, sustainability is most important for food and drink (42%), followed by household goods (25%). The Migros and Coop supermarkets are benefiting from this. Szegedi adds: "The sustainability trend is most evident for everyday items – but it is taking a hold in all categories."

Consumer durables see strong growth during crisis
Across the various product categories, there is a clear winner: consumer durables. After already growing by a considerable 6.5% in 2019, the segment more than doubled its growth to 14.5% in the first year of the pandemic. "While restaurants and cinemas were closed, people turned to buying products instead: bicycles, televisions, kitchen appliances – even whole fitted kitchens," explains Szegedi.

On the back of this development, the US DIY chain Home Depot moved further up in the Top 10 (+2 to 5th). International specialist retailers with stores in Switzerland also benefited, including the DIY chains Bauhaus (+14 to 155th) and Hornbach (+30 to 183rd) and the furniture retailers IKEA (+2 to 24th) and XXXLutz (+1 to 187th). In the form of Nike (+18 to 59th), Adidas (+5 to 118th) and Lululemon (a new entrant in position 239), there are even three sportswear brands among the 50 fastest-growing companies worldwide.

The two Swiss retail giants Migros and Coop are also benefiting from the trend – due to specialist retailers such as Interdiscount and Fust (Coop Group) or Micasa and Do it + Garden (Migros Group). "With their wide product ranges and varied brand portfolios, Migros and Coop are broadly diversified and largely resilient to crisis situations," says Szegedi. "If other products start to lead the ranking after the pandemic, then Migros and Coop are well positioned to be among the winners again."

Rank (out of 250)	Change over previous year	Company	Home market	Retail sales FY2020 (USD m)	Average growth rate FY15-20
1	0	Walmart Inc	US	559,151	3.00%
2	0	Amazon.com, Inc.	US	213,573	21.90%
3	0	Costco Wholesale Corporation	US	166,761	7.50%
4	0	Schwarz Group	GER	144,254	7.80%
5	2	The Home Depot, Inc.	US	132,110	8.30%
6	-1	The Kroger Co.	US	131,620	3.70%
7	-1	Walgreens Boots Alliance, Inc.	US	117,705	5.60%
8	0	Aldi Einkauf and Aldi Intern.	GER	117,047	5.80%
9	4	JD.com, Inc	China	94,423	31.20%
10	1	Target Corporation	US	92,400	4.60%
24	2	The IKEA Group	NL	39,174	2.00%
36	4	Federation of Migros Cooperatives	CH	28,457	2.70%
39	7	Coop Group	CH	25,623	2.20%
59	18	NIKE, Inc. / NIKE Direct	US	17,136	16.90%
93	3	Compagnie Financière Richemont SA	CH	11,700	10.30%
118	5	Adidas Group	GER	9,267	14.00%
122	27	Zalando SE	GER	9,097	22.00%
155	14	Bauhaus AG	GER	7,107	3.60%
183	30	HORNBACH Baumarkt AG Group	GER	5,924	7.70%
187	1	XXXLutz Group	A	5,812	5.50%
239	new	lululemon athletica inc.	CAN	4,402	16.40%

Table: Rank and other data about the companies mentioned in the text. Please see details in the report.

Concentration driven by digitalisation and logistics
The trend seen in previous years is evident again this year: the biggest companies have grown the most. The world's 10 largest retailers now account for 34.6% of the combined sales of all companies surveyed, up from 32.7% last year. This shows that the market is becoming more concentrated, driven mainly by digitalisation and increasingly sophisticated logistics.

There should be no gaps between touchpoints (advice – purchase – delivery), and customers should be able to switch seamlessly between the different channels. The aim is to link all channels together. Two examples of this are ordering online and collecting yourself, or having a personal consultation via video call.

The success of Migros and Coop can also be explained by their stronger focus on an omnichannel strategy like the one described above. As Karine Szegedi explains: "The big retailers in particular have good opportunities to grow. Whether online, in-store or hybrid, they have the financial power to participate in all channels. However, they must not lose sight of their goals, and their acquisitions must always be carefully aligned with their strategy."

Digitalisation and logistics are not about grand one-off gestures, such as Amazon's attempt to use drones to deliver packages. Rather, it is a case of small changes that add up. For example, Amazon now collects Swiss VAT as a matter of course when payment is made, so no one has to subsequently visit the post office to pay a customs invoice. The situation is similar for free returns of parcels – businesses that do not offer this option will drop out of the market sooner or later.

Along with Zalando (+27 to 122nd), Amazon (+0 to 2nd) is one of the most popular foreign retailers in Switzerland. Both are among the *Fastest 50* in the ranking (i.e., the companies with the highest compound annual growth rates). As Karine Szegedi explains: "Shopping tourism has remained an issue during the pandemic. When people were not able to travel, the goods travelled instead. This is another development that is likely to remain after the pandemic is over, at least to some degree."

About the study: Global Powers of Retailing:
The study identifies the world's 250 largest retailers by analysing publicly available data for the 2020 financial year (companies' financial years ending 30 June 2021) and their performance across world regions and product categories. The

study also provides a global economic outlook, examines the 50 fastest-growing retailers, and presents the new entrants to the Top 250.

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