Analyst Day 09

Casino Hypermarkets and Supermarkets

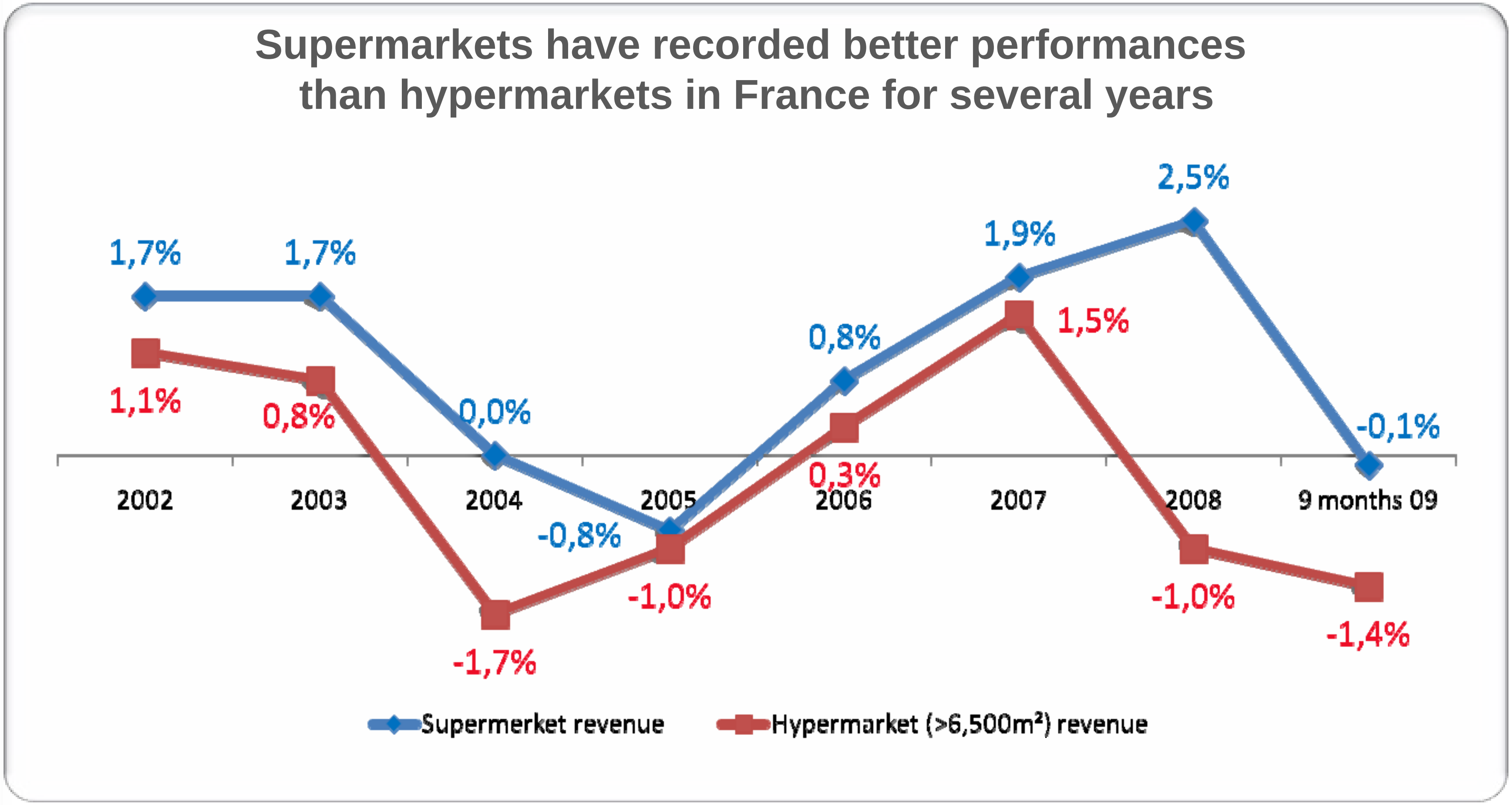
Focus on the new organisation

A.Lucas

Outline

- **Overview**
- **Objectives of the new organisation**
- **Strategic priorities for hypermarkets & supermarkets**

A market environment in France that is more favorable to supermarkets than to hypermarkets



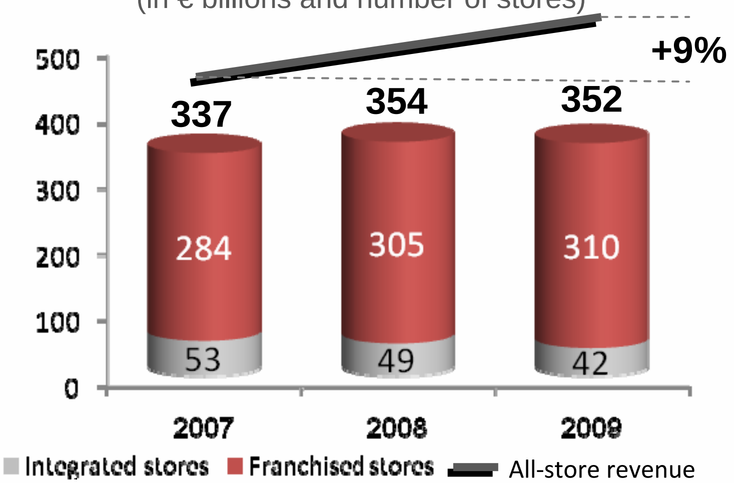
Source: Nielsen - % change in same-store revenue

An effective strategy for Casino Supermarkets that has driven market share gains

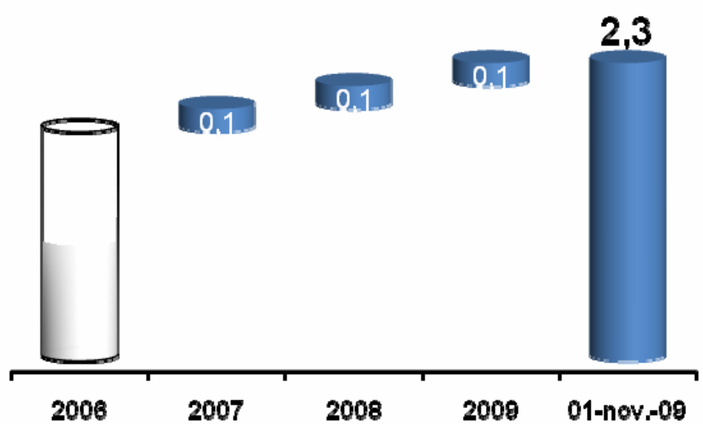
Strategy

- Segment the offering and pricing in line with the local environment
- Focus on enhancing the competitiveness of private-label and value-line products and maintaining price competitiveness in a selection of national brands, showcased in stores and in the marketing action plan
- Simplify promotional comunnication
- Implement expansion programme

All-Store Revenue and Supermarket Store Base
(in € billions and number of stores)



Casino Supermarkets' Market Share
(as a % of total French FMCG and self-service refrigerated foods revenue)



Source: TNS World Panel for 2009 market share and annual change

Repositioning well underway at Géant Casino

Strategic repositioning of Géant reaffirmed in H2 2009:

- **Objective:** **Stabilise the banner's market share by increasing footfalls**
- **Method:** **Improve price competitiveness in the food segment by increasing non-food margins**
  - Speed up the banner's repositioning:
    - A non-food offering targeting women
    - Capitalise on fresh products

Actions to reposition the banner had been undertaken

- **Identification of price cuts in the food segment**
- **Offering**
  - Development of fresh product section
  - Withdrawal from large appliance segment
  - Optimisation of non-food lines
- **Optimisation of store space**
  - Implementation of the space reallocation programme
- **Cost reduction plan**
  - Implementation of Excellence+ plan

A clear strategic vision for both banners (1/2): Géant Casino

- **Géant must break away from the traditional hypermarket positioning of "everything under one roof"**
- **In a difficult market, Géant needs to speed up the changes in its business model that will enable it to implement its strategic orientations more quickly:**
  - Improve non-food margins, particularly by developing the most promising markets
  - Lower food prices to increase footfalls
  - Make fresh products a differentiating factor

A clear strategic vision for both banners (2/2): Casino Supermarkets

- **Continue to grow Casino Supermarkets development by leveraging our differentiating factors:**
  - The Casino brand, which embodies our commitment to providing good value for money
  - Quality: fresh produce section
  - Choice: a broad offering aligned with local demand
  - Service: friendly welcome; quick and easy shopping

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A new organisation to improve both banners' competitiveness

In line with the strategy implemented for several years and in an increasingly competitive environment, the new organisation aims to

- Respond more effectively to customer expectations
- Optimise the coordination of marketing strategies
- Enhance responsiveness and seamlessness
- Pool more resources

A change made possible by common foundations: brand, customers, methods and systems

- **The Casino brand, common to both banners**
- **Private-label products, the heart of both banners' assortment and business model**
  - 46% of sales volumes in hypermarkets and 47% in supermarkets
- **Loyalty card**
  - 20% of customers shop in both networks
  - dunnhumby segments common to both networks
- **Central purchasing agency**
- **Logistics operations and information systems**

An organisation that preserves each banner's distinctive features, enhances marketing power and leverages synergies

- **Two distinct banners that maintain their identity and their unique marketing characteristics**
- **A single Management Committee and pooled support functions to enhance marketing power and maximise synergies**
  - Improved marketing efficiency
    - More effective promotional campaigns
    - Coherent pricing policies
    - Coordinated loyalty programmes
  - Development of new services with dedicated teams
    - Online shopping and drive-through pick-up
    - Financial services
  - Optimisation of processes and costs

A single Management Committee and pooled support functions

André Lucas
Chief Operating Officer

Gérard Walter
General Executive Managing Director
Géant Casino

Jean Rubens
General Executive Managing Director
Casino Supermarkets

Sales and Marketing Director
Thierry Aouizerate

Merchandise, Supply Chain and IT Director
Laurence Bernillon

Project Design and Management Director
Jean-Jacques Chervet

Business Development Director
Franck Proux

Human Resources Director
Jean-Claude Delmas

Finance & Administration

Franchising Director
Yann Wanes

An organisation that supports our strategic priorities

- **The new organisation should enhance marketing power, alignment, seamlessness and responsiveness…**

- **… and support the implementation of the 5 priority projects common to both banners**
  - Offering
  - Prices
  - Services and loyalty
  - Operational Excellence
  - Optimisation and development of the store base

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Food offering: sharpen differentiation in fresh products

Hypermarkets ***Supermarkets***

Become the benchmark for fresh products to retain customers and differentiate us from the competition

- **Retain customers and enhance differentiation, by:**
  - Embracing new concepts
  - Ensuring a high-quality offering/operational excellence
  - Targeting markets with frequent purchases
  - Repositioning our pricing versus local market
  - Redefining the offering and the supply chain

- **Be the benchmark for fresh products in our shopping centres:**
  - Premium “farmers market” area
- **Adjust our operating concepts according to location:**
  - Install self-service areas
  - Introduce new weekend ‘Fresh Catch’ concept

Food offering: sharpen differentiation through private labels and local assortments

	Hypermarkets	*Supermarkets*

Reinforce the private-label dynamic, the cornerstone of the offering

(Hypermarkets ← → Supermarkets)

- **Increase the private-label participation**
- **Develop the Organic/Healthcare offering**
- **Take a more local approach**
  - Develop regional/local offerings
  - Optimise the offering on a store-by-store basis

Hypermarkets

- **Improve the FMCG and refrigerated foods offering**
  - Develop a nutritional line of organic/health foods
  - Focus on families, price sensitive consumers, seniors
  - Locally adapt lines and merchandising

Supermarkets

- **Focus on highly profitable markets**
  - Fragrance, frozen foods, fresh non-dairy
- **Deploy our differentiating concepts:**
  - Organic food “shop in shop”
  - World food section, depending on the location

Improving price competitiveness

- Prices have to be repositioned, especially in HMs
- Aggressive private-label pricing supported by purchasing power
- Optimised promotions management

	Hypermarkets	*Supermarkets*
National brands	Aligned with local HMs	Locally adjusted, depending on amount of competition
	Store and product segmentation (see Demandtec/dunnhumby) A controlled increase in promotional intensity Price cuts on major products	Price cuts depending on store segmentation Price cuts on major products
Private labels	Offering the lowest prices on 800 leading products in the catchment area	Aligning pricing with the local market on 800 leading products
	Passing on purchasing economies of scale Reducing promotional intensity in favour of permanent price cuts	
Value lines	Matching local market prices	
	Passing on purchasing economies of scale	

Loyalty & services: further increasing the number of loyal customers, improving differentiation through services (1/2)

Hypermarkets *Supermarkets*

Become the customer's preferred loyalty programme

- **A generous, personalised offering**
  - Increasing rewards, particularly with the Casino universal credit card
  - Maintaining promotional momentum for loyal customers and stepping up campaigns for occasional shoppers
  - Developing personalized offerings for different lifestyle & age groups

- **Customer rather than network focused**
  - Standard rewards shared across HMs and SMs
  - Cross-banner communication

- **An easier-to-understand programme**
  - Simple explanation of loyalty card advantages
  - Optimised communication campaigns, such as targeted direct mailings and special on-site events

Loyalty & services: further increasing the number of loyal customers, improving differentiation through services (2/2)

	Hypermarkets	*Supermarkets*

Enhancing differentiation through financial services

BANQUE Casino

- **A new range of cards to better address clients needs**
  - Simple, easy to use, competitive
  - Associated with a generous loyalty program, both in Casino stores and non Casino stores
- **Launching a range of competitive financial products under the Casino brand**
  - Developing inexpensive, easy-to-use insurance products

Enhancing differentiation through online services

- **Enhancing online shopping, with home delivery or drive-through pick-up**
- **Developing both banners' online shopping sites on a shared platform**
- **Creating synergies with CDiscount**

Repositioning HM non-food lines and optimising retail space

Hypermarkets | **Supermarkets**

Repositioning non-foods to focus on promising categories

- **Two strategic objectives:**
  - A more feminine-oriented offering
  - Developing promising product families and gradually withdrawing from underperforming categories



Continuing to reallocate space to optimize the offering

- **Pursuing space reallocation**
  - Rethinking layouts
  - Adjusting the offering

- **Extending the space reallocation programme to supermarkets**

Demonstrating operational excellence through three shared priority objectives

Hypermarkets ← → ***Supermarkets***

Continue reducing inventory

- **Reduce inventory faster**
- **Eliminate obsolete inventory**

Improve in-store processes

- **Operate small HMs with less expensive processes more like SMs**
- **Improve productivity**
  - Shelf stocking
  - Checkout
- **Optimise operations in service sections**

Share best practices among the networks

Optimise support functions

- **Continue to reduce operating overheads**
- **Deploy synergies in support functions**

Optimising and expanding the store base

	Hypermarkets	Supermarkets
Optimise retail space	**Reduce under-productive space** ✦ Rent retail space freed up ✦ Withdraw from certain segments to improve operating efficiency	**Continue extending existing stores** ✦ Particularly smaller units
Segment the hypermarket base	**Deploy an approach similar the one used in SMs** ✦ Depending on the HM (retail area, revenue, catchment area leadership) ✦ Depending on the catchment area (demographics, HM's role, amount and type of competition) **Convert certain HMs into SMs**	*Food/non-food assortment policy* *Pricing policy* *Promotional policy* *Customer services* *Loyalty programmes*
Expand the store base		**Continue targeted expansion of proprietary stores** ✦ Paris area and southern France **Develop franchising**

Conclusion

Clear strategic priorities and a tighter, more responsive organisation, to drive a new business dynamic:

- **Improving non-food margins**
- **Reducing food prices and increasing footfalls**
- **Building differentiation with fresh products, services, loyalty programmes and assortments aligned with shopper needs**

To stabilise Géant Casino market share by end-2010

To drive a 0.10-point gain in Casino Supermarket market share by end-2010