



“The coming battle will play out on every front: price, selection and services.”

Javier Campo,  
member of the Management Board

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# Strategy: a close relationship with our customers



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# Price: a heightened offensive

Our commitment to low prices – the core of our strategy since 2005 – continued in 2006 in all our retail banners and in every country in which the Carrefour group operates.

In 2006, our consistent low-price policy resulted in an improved price image at our banners in a number of countries. In particular, Carrefour hypermarkets made significant strides in Argentina, France, Poland and Indonesia. To reduce its impact on profitability, the low price strategy has been leveraged by three key strategies: purchasing synergies, price positioning and improved product presentation.

## ■ Pooled purchasing

To ensure the best prices, we have continued to expand our purchasing synergies with Dia. Seven hundred Dia products out of an average 1,200 product listings in a hard discount store are now purchased alongside store brand products sold in the Group's hypermarkets and supermarkets.

## ■ Aggressive positioning

Carrefour strives to be the price leader throughout the world. To achieve that goal, the Group is deploying an ongoing and aggressive low-price policy by expanding its in-store promotions and communications.

- The introduction of the "Ligne Alerte Prix" (Price Hotline) in hypermarkets in France in April 2006 reflects this commitment. The hotline gives customers a key role in competitive intelligence while providing them with an opportunity to influence prices. Carrefour is committed to lowering its prices within 24 hours if a customer identifies a lower price at a competitor's store.
- In 2006, Carrefour Argentina made a strong impression on consumers with a wide-ranging advertising campaign. Launched on 23 February 2006, the campaign helped to cement the reputation of Carrefour hypermarkets



as a business committed to keeping prices down. Throughout the country, Carrefour promised the lowest prices on 800 basic consumer goods and invited consumer organizations to verify its claim.

- Italy's GS slashed its prices during the year. In a campaign similar to one conducted in 2005, the supermarket network opted to reduce prices by an average of 12% on 2,500 products beginning in April 2006. The initiative was strongly promoted by a large-scale display advertising campaign. From a strategic standpoint, this price offensive is not a temporary promotion but rather a long-term repositioning.

#### ■ Improved product presentation

The new ready-to-sell approach to product presentation now being deployed offers two advantages: by showcasing products in display units or in their original boxes rather than stocking shelves with products one by one, stores save significantly on time and labour, resulting in lower costs and lower prices for consumers. In the wake of conclusive market testing in France, Belgium, Taiwan and Colombia in 2006, the concept will be introduced in other countries in 2007.

#### Fuel: Carrefour Italy – less expensive than oil companies

In 2006, Carrefour forcefully asserted its leadership once again with regard to fuel prices. In Italy, where the sale of petrol and diesel oil has traditionally been dominated by oil companies, the Group continues to set itself apart by building its own service stations. Primarily operated under the Carrefour name or that of another Group brand, the stations offer prices that are four to seven euro cents lower than those charged by oil companies. Additional discounts of 2.5 to 4 euro cents are offered to PASS card holders at the network's 14 service stations.



# Products: an expanded offering

Since 2005, the Carrefour group has expanded its product mix and introduced new products with high-growth potential. Our banners have focused on seeking a balance between grocery and non-grocery product ranges.

One of the Group's strategies for energizing sales growth is to offer a broad, high-quality and innovative array of both **grocery** and **non-grocery** products.

## ■ Grocery: own brands prove an unqualified success

Offering excellent value for the customer's money, the Group's own brands met with undeniable success in 2006, attracting an ever more demanding clientele.

This success is not just a matter of price; it can also be attributed to the consistent quality of our products and ongoing efforts to update the product mix worldwide. In France, our product ranges were revamped in 2005. In 2006, our assortments were expanded, with 2,000 new product listings sold under the Carrefour name. In particular, two new product lines for children were added: Carrefour Kids (ages 4-10) and Carrefour Baby (infants up to age 2), developed in cooperation with a committee of paediatricians.

## ■ Champion expands its product ranges

In 2006, Champion supermarkets in France expanded their selection of store-brand products, with 850 new listings now available in stores:

- Innovative fresh foods: mini fruits and vegetables for children, microwavable vegetables, and the first line of cholesterol-fighting yoghurt launched as a store brand.
- Sophisticated gourmet products: 100 premium-quality product listings under the "Collection Champion" brand name are now competing with upscale products from the major brands.
- Environmentally and socially conscious products, like the many eco-friendly household cleaning products bearing the Champion Eco Planète name.



### ■ Non-grocery: a rapidly changing product mix

The Group's non-food strategy has also changed. Market tests were conducted in 2006 and the initial results are persuasive. Among the latest products:

- In France, Carrefour launched its first ready-to-wear collection for men, designed by Olivier Lapidus for the Tex brand.
- In Argentina, Brazil and Colombia, a line of housewares has been introduced under the name "casa & deco".
- In China, customer demand prompted Carrefour to develop a range of cooking utensils and tableware.
- And in Italy, Carrefour opened its first pharmaceutical departments and launched a line of health and beauty products.

### ■ Apparel: profiting from popular trend-setting brands

Carrefour plans to expand its clothing line in order to offer fashionable and high-quality designer collections. Two recent partnerships illustrate this proactive policy:

- A cooperation agreement signed with BCBG-Max Azria, an international leader in women's ready-to-wear clothing. The Carrefour and BCBG-Max Azria teams will take on the task of designing and manufacturing high-fashion collections for Carrefour hypermarkets in France, Spain, Italy, Belgium, Portugal and Greece;
- An expanded collaboration with Disney to produce new lines of apparel, household goods and toys.

# 2,000

new product listings under the Carrefour brand name in France

# 1,300

additional products (national brands and own brands) in Champion stores in France

# 1,000

new Carrefour brand products in Italy



# Loyalty programmes: more benefits for customers

By learning more about its customers and strengthening their ties to its retail banners, the Group can anticipate their needs more effectively.

## ■ Building closer customer relations

In all of the Group's banners worldwide, 2006 was notable for the growing popularity of customer loyalty programmes. Carrefour in France and Spain, Dia in Spain, Champion in France, GS in Italy and GB in Belgium; the Group's business units can now pool their experiences and expertise and deploy the latest tools for developing loyalty programmes that reflect local challenges and constraints and the maturity of the market.

In 2006, Carrefour strengthened its appeal among its loyal customers in France. Thanks to its loyalty card, now carried by some 8.7 million customers, our hypermarkets recorded an increase in both the average customer purchase and the number of customer visits.

## ■ France: The Carrefour Loyalty Programme celebrates its second anniversary

On 15 May 2006, Carrefour celebrated a highly symbolic anniversary: the second year of its loyalty programme, which offers a 5% discount year-round on 8,000 Carrefour brand products. To express its appreciation to its best customers, the banner developed an exceptional promotional campaign: a mailing sent to all cardholders, a radio campaign, a special catalogue, anniversary terminals and in-store displays. The purpose of the campaign was to offer a 40% reduction on 300 products over a 10-day period. The campaign proved an enormous success in Carrefour's 218 hypermarkets in France, which in two years have developed the largest customer database in the country's retail sector.



## A consumer club to suit every taste!

To keep customers coming back, GB in Belgium and Champion in France have introduced a new concept: consumer clubs, which offer even more advantages to loyalty cardholders. Beauty Club, Baby Club, Healthy Living Club, Gourmet Club: every customer can find a club to suit his or her lifestyle and needs. On the banners' websites and in brochures, club members receive practical advice from experts and exclusive offers in the form of discounts on targeted products.

### ■ Poland: Carrefour Polska unveils its first supermarket loyalty card

Customers at 83 supermarkets in Poland have been shopping with their "Rodzinka" loyalty card since 8 November 2006. Each time they check out, cardholders earn points for the amount of their purchase – points that can then be redeemed for gifts or purchase vouchers. This free, easy-to-use programme is backed by the Group's expertise and at the same time adapted to local conditions. Polish families, who have previously proven reluctant to join customer loyalty programmes, have signed on in large numbers.

### ■ Taiwan: The Hao Kang card on the inside track

Two million participating customers in 2006 with the potential for millions more: that's the boast of the new loyalty card launched by Carrefour in Taiwan, which already offers its customers joint Carrefour-Visa credit cards. The principle behind the Hao Kang Advantage Card is simple: cardholders earn one credit point for every Taiwanese dollar spent and, as always, earn extra points when they buy Carrefour brand products. And in Taiwan, customers receive their discount in cash when they check out. Simple and very enticing!

**8.7** million  
Carrefour loyalty cardholders  
in France

**6.3** million  
Carrefour El Club loyalty  
cardholders in Spain

**5.6** million  
Champion Iris cardholders  
in France



## Services: a growth engine

Providing a powerful tool for attracting and retaining customers, added services such as mobile telephone offerings, financial services and insurance were expanded significantly in 2006.

### ■ Carrefour becomes a mobile virtual network operator in France...

On 8 November 2006, following the example of its sister unit in Belgium, Carrefour France unveiled its new mobile phone service – an economical, user-friendly, no-obligation service that reflects Carrefour’s strong commitment to its strategy of innovation at every level for the ultimate benefit of its customers. Featuring prepaid services, a fixed pricing plan for both phone calls and text messages and a reliable network, Carrefour Mobile relies on a transparent marketing campaign and a partnership with the European operator Orange. The service has also been offered in 65 Champion supermarkets since December 2006 and will be extended to every Champion store in 2007.

### ■ ...and in several other European countries as well

- In Belgium, six months after its launch in February 2006, the prepaid “1 Mobile” phone card has nearly 40,000 customers. Sold in Carrefour and GB stores, the card allows customers to “pay less and talk more” thanks to a simple pricing plan.
- In Spain, Carrefour Móvil has joined forces with Orange to make a noteworthy debut in the mobile phone sector. Carrefour is now the first retailer in Spain to provide its customers with this service, which is available in its 154 hypermarkets and 82 Carrefour Express supermarkets.
- In Greece, 228 Carrefour, Champion Marinopoulos and 5’ Marinopoulos stores sell two prepaid phone packages in partnership with Vodafone that live up to the Group’s commitments regarding quality and price.



## Home computer support

Fifty percent of French households own a personal computer, but many report problems with installing, using and repairing their equipment. The solution? Carrefour Micro-informatique Assistance (Computer Technical Support), available since 8 November 2006, in 86 hypermarkets in southwest France and the Paris metropolitan area. Experts provide technical assistance via telephone from 8 a.m. to 10 p.m. seven days a week or in customers' homes from Monday through Friday. Home training sessions for up to five people can be arranged upon request.

### ■ Champion Service Packages: an array of synergies with Carrefour

Introduced in May 2006, the Champion Service Packages are mainly comprised of Group services and draw on the expertise of Carrefour hypermarkets. They operate as follows: in-store flyers offer a range of different services to customers, available via a special telephone number.

These packages include a portfolio of 11 services in four different categories:

- Financial services, including the PASS card, personal loans, life insurance and interest-bearing savings accounts.
- Insurance coverage, including homeowner's and automotive insurance, family protection and pet insurance.
- Travel services, including car rentals in partnership with Avis.
- Practical information, including a care hotline for disabled and elderly individuals.

This new service will both attract and retain new customers.

