Geopolitical instability and the growing power of local and regional competition in emerging markets are forcing global retailers to continually rethink their strategies.
Global retailing today is defined by paradox. Even as the Internet, social media, and the widespread deployment of mobile telephony have brought the world closer, helping create a truly “global” consumer, renewed feelings of nationalism, and even tribalism, are surging around the world. And as retailing companies—digital and physical—seek to develop trade relations with other countries, the flow of goods available to them are subject to often draconian nationalistic tariffs, taxes, and regulation.

This year’s A.T. Kearney 2019 Global Retail Development Index found that national, regional, and local realities—from Internet connectivity to the availability and cost of labor—continue to shape retail development around the world (see figure). That said, economic development and trade policy are still the largest factors in shaping global retail growth in consumer markets.

### 2019 Global Retail Development Index™

<table>
<thead>
<tr>
<th>2019 Rank</th>
<th>Country</th>
<th>Region</th>
<th>Population (mn)</th>
<th>GDP PPP/Cap (US$)</th>
<th>National retail sales (US$ bn)</th>
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<th>CR (25%)</th>
<th>MS (25%)</th>
<th>TP (25%)</th>
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Notes: MA is market attractiveness. CR is country risk. MS is market saturation. TP is time pressure.
Good Regulation Nurtures Some Markets, While Bad Law Suffocates Others

Impacting everything from cost-of-goods to the consumer to the cost of doing business in a country, taxation policies dictate discretionary consumer spend; lead certain companies to operate or not operate in individual markets; and even determine the quality and quantity of goods for sale. Bulgaria, for example, enjoys one of the lowest corporate tax rates in the region, making it attractive to new investors, especially when combined with its low labor costs.

Russia, on the other hand, is a nation where complicated customs, bureaucratic procedures, and a postal service not always known for reliability all but prevent international retailers such as Amazon from entering the market, at least without a Russian partner. A value-added tax (VAT) increase to 20 percent, largely passed on to shoppers by smaller retailers, makes the market even less attractive since it increases operating costs in a market where disposable income is already an issue. Last year, in an effort to diversify away from its dependency on oil revenues, Saudi Arabia, like Russia, also adopted a VAT of 5 percent across a broad range of goods, causing a decline in spending.

Labor Force Participation Undergoes Significant Changes Across the World

Of course, irrespective of taxation or regulation, retailers can’t build or expand markets without talent. The availability, quality, and cost of a domestic labor force are crucial factors, particularly for retail companies, since labor costs have a direct—and significant—impact on both margins and the bottom line. While Bulgaria’s low labor costs make it attractive to foreign investment, for example, the emigration of qualified workers and the shrinking of the working-age population threaten long-term economic growth.

In Egypt, access to labor is particularly challenging due to limited availability of talent, low switching costs between employers, and a lack of capability development. Even poor infrastructure conspires against potential employers, especially those operating in labor-intensive sectors such as retail. An employee’s travel from low-income housing areas into Cairo can take upwards of three hours each way.

It’s not always a matter of how many people are available to work, but who is—or isn’t—allowed to hold a job. The Saudi Arabian government’s decision to provide increasing freedom to women is expected to increase women’s labor force participation to 25 percent by 2020 and 30 percent by 2030. Not only are women now allowed to drive but the recent ruling to make abayas—the black robe that women have traditionally worn when in public—optional also indicates that the government values the role of women and sees them as integral to many facets of life.

The Kingdom hopes to provide retail job opportunities for an additional million Saudis, especially women, by 2020 and to increase the contribution of modern trade and e-commerce to 80 percent of its retail sector by 2020.
Online Retailers Reshape Markets Quite Differently from Country to Country

As part of its National Transformation Program Saudi Arabia also plans to broadly deploy high-speed Internet services, which has already led to increases in 4G access expected to boost the e-commerce sector, with 5G launching in June of 2019. Across the border in Jordan about 89 percent of consumers have an Internet subscription and smartphone penetration is more than 90 percent.

India’s online retail market is projected to increase at a healthy CAGR of 25–28 percent, reach $55–60 billion by 2020, account for 25 percent of the total organized market, and grow to 37 percent by 2030. Internet retailing in Colombia is predicted to reach COP 53.5 trillion in 2023, while across the border in Brazil, facilitated by high rates of urbanization, the national chains’ share of online retail sales is set to expand from 12.5 percent to 16.7 percent by 2023.

China’s retail sector—valued today at $3.8 trillion and expected to reach $6.6 trillion by 2024—is characterized by a blurring of the line separating offline and online retail (a model known in China as “new retail”). Big e-commerce players such as Alibaba are actively partnering with local Chinese “mom-and-pop” stores, helping them to modernize by providing no- or low-cost retail management platforms, allowing partnering stores to optimize product procurement and sourcing.

As healthy as global e-commerce is, the picture for brick-and-mortar retailing is also promising. Tim Hortons opened its first Chinese outlet in February 2019 and plans to open another 1,500 locations over the next 10 years. Aldi opened its first Shanghai store in June 2019, and Costco followed a month later with its first Chinese store.

With retail growth rates of 7.1 percent in 2018, and household grocery consumption expected to grow by around 5 percent each year between 2019 and 2023, Bulgaria is one of Europe’s trailblazers for brick-and-mortar retail. And, despite trade sanctions, urban Russian consumers still enjoy “high street” shopping, although stores in rural regions often close on weekends due to weak demand or gaps in supply. Russian consumer spending on groceries will grow by 4 percent year-on-year between 2019 and 2023, driven largely by inflation.

An abundance of small neighborhood shops offering low-income consumers value-for-money goods still dominate Egypt’s highly fragmented retail market. Likewise, in Ghana, whose 8.8 percent growth rate makes it the fastest growing economy in the world this year, retailing in small stalls in open markets still dominates, although independent small grocers are also popular.

In Colombia, the expansion of discount stores remains the largest retail trend, but IDG expects to see other concepts emerge as competition intensifies. That said, price continues to be important. Shoppers are increasingly searching for value, and the discount channel’s strength is a combination of being physically close to where consumers live, offering low prices on a limited range of goods, and the strength of its private label products.

Bolstered by rising consumption and robust investment, Jordan’s retail market has been growing steadily at around 7 percent over the past two years and is projected to grow at around 10.5 percent annually, reaching $1.5 billion by 2021 with retail space expected to grow at 5 percent through 2023. According to the Department of Statistics, about 20 percent of Jordan’s working population was employed in the wholesale and retail trade sectors in 2017. And while Jordan’s retail growth is impressive, India is one of the most compelling stories found in this year’s report.
The continued growth potential of the Indian economy and retail market has attracted various international retailers. Fueled by international investment and domestic innovation, the Indian market is growing in sophistication, not just size.

Major retailers are using analytics and advanced predictive modeling tools to capture customer behavior and footfall. Retailers such as ABFRL, Shoppers Stop, and Big Bazaar are focusing on optimizing the experience of the consumer through data and analytics.

Premiumization is also a significant trend in India. Rising consumer incomes, exposure to advanced global brands, and evolving lifestyles have created a huge demand for premium products across sectors such as apparel, food, and durables.

So while technology, international investment, and regulatory reform continue to create a global market populated by a new kind of consumer, local market conditions, taxation structures, trade barriers, labor availability, and a host of other factors mitigate against globalization.

In the following sections, we take a closer look at the trends in select countries and the global retail growth of some of the most interesting companies highlighted in this year’s Index.
China: Still promising, but challenging

**GRDI rank:** 1 (resumes the number one position)  
**Population:** 1.43 billion  
**GDP per capita, PPP:** $18,110  
**Total retail sales:** $3,869 billion

Retail expansion continues to be strong in China, with 12 percent growth from 2017 to 2018, to $3.8 trillion. That growth is expected to continue at a CAGR of 10 percent to reach $6.6 trillion by 2024. The country has introduced fiscal and monetary policy stimulus to protect business, including retail, from the effects of the global economic slowdown; it has low private-sector investments; and it is grappling with protracted trade tensions with the US, including a 16 percent cut in the value-added tax in manufacturing.

Unorganized, traditional retail still dominates in China at nearly 80 percent of the market. Big e-commerce players are plugging into that fact by partnering with local mom-and-pop stores. Alibaba offers small shops a retail-management platform, Ling Shou Tong, at zero or minimal cost to modernize their functions such as product procurement and sourcing. Still, modern retail continues to catch up with traditional stores. Chinese consumers’ demand for the experience and unique product categories is fueling growth of convenience stores and other modern formats. The two fastest growing areas of modern retail will be supermarkets and neighborhood stores, and mass merchandisers, growing at a CAGR of 17 percent and 15.3 percent respectively through 2024. “New retail” continues to meld offline and online retail. Alibaba’s Hema Supermarkets combine the two with experience retailing. JD.com opened 7Fresh Supermarkets with smart carts in China recently, and Tencent has introduced its own smart retail strategy.

International retailers have found the China market both attractive and challenging during the past two years. German supermarket company Aldi and American warehouse club chain Costco opened their first stores in Shanghai in 2019. Tim Hortons, the Canadian QSR chain, opened its first outlet in 2019 and plans to open another 1,500 locations in China during the next 10 years. And while other retailers, including Sam’s Club and Starbucks, plan to expand in the coming years, other foreign retailers are closing Chinese operations. German giant Metro AG shuttered its convenience stores in late 2017 due to stiff competition and high rents. Japanese retailer Takashimaya exited in 2019, and UK fashion retailer New Look left China in 2018.
India: Vibrant retail, in-store and online

**GRDI rank:** 2 (down one position)
**Population:** 1.37 billion
**GDP per capita, PPP:** $7,874
**Total retail sales:** $1,202 billion

Rising consumer incomes and greater digital connectivity have both contributed to 9 percent growth in India’s retail market from 2016 to 2018, which is further expected to reach $1.4 trillion by 2021. Retail accounts for 11 percent of its GDP, something the government continues to support through liberalized retail, e-commerce, and investment policies.

Premiumization is a major trend. The luxury segment is expected to grow since the introduction of a GST in 2017. Apple, Alexander McQueen, and Yves Saint Laurent plan to open stores in India, the latter two at the DLF Chanakya luxury brand mall in New Delhi. Tiffany & Co. has partnered with Reliance to debut stores in New Delhi in 2019 and Mumbai in 2020. More international retailers are now in the market, including IKEA, Under Armour, American Eagle Outfitters, Miniso, Ted Baker, Go Sport, Replay, and Hummel.

We expect modern retail to grow at 18 percent during the next five years as innovative platforms offering quality, convenience, and easier access are introduced. ABFRL, Shoppers Stop, and Big Bazaar are using analytics and advanced predictive modeling tools to capture customer behavior and footfall, while mall developer DLF is using them to tailor its space allocation and promotions. Indian consumers love online shopping, too. Online spend per shopper is expected to nearly double to $309 by 2030 from its current $183. Overall, we see online growing at a healthy 28 percent CAGR to $60 billion by 2020, with shoppers favoring purchases of electronics and lifestyle products the most. Online grocery promises to be the next growth wave at a whopping 87 percent CAGR by 2022. Both small and large grocery specialists have entered the segment horizontally—specifically MilkBasket, NinjaCart, and Supr—while vertically integrated players such as Amazon Pantry and Flipkart’s Supermart are testing it (despite an initial perception as low-margin).
Ghana: Africa’s new bright spot

**GRDI rank:** 4 (new entrant)  
**Population:** 30.5 million  
**GDP per capita, PPP:** $6,452  
**Total retail sales:** $24.4 billion

As one of the most stable nations in sub-Saharan Africa, Ghana presents both retail opportunities and cautionary flags. The Ghana economy is expected to grow by nearly 8.8 percent in 2019, backed by a thriving oil and gas sector. The country increased foreign and public investment by 14.2 percent (of GDP) in 2018, a number we expect to rise to 30.8 percent by 2028. Moreover, the government announced 10 measures this year to support a range of other improvements, from online tax filing to automated delivery of electricity.

Urbanization will be a major driver for modern retailing, which is expected to reach $33.16 billion by 2024. Informal retailing dominates now, but the landscape is changing. Space in department and variety stores is targeted to grow by 15 percent through 2023. More international retailers view Ghana as the next go-to market. Sporting goods retailer Decathlon opened a store in Ghana in 2017—its largest in West Africa—and hopes to expand with 50 more stores across the country. International supermarket chain Pick & Pay plans to open a store this year, and Massmart has opened three outlets since 2017. There are new shopping malls, primarily in big cities such as Sekondi-Takoradi and Accra.

While just 38 percent of Ghanians have Internet access, most are from the middle class, so e-commerce opportunities exist. In April 2019, DHL launched DHL Africa eShop, an app that brings 200-plus US and UK online retailers to shoppers in 11 African countries, including Ghana. Overall, the country may have a relatively low average income, but it is expected to be the fastest growing economy in the world this year.
Saudi Arabia: Regaining strength

**GRDI rank:** 7 (up four positions)
**Population:** 34.43 million
**GDP per capita, PPP:** $55,944
**Total retail sales:** $125.5 billion

Saudi Arabia’s reforms and economic restructuring are beginning to yield positive results, which the country hopes will positively impact retail, even as it has levied a 5 percent VAT on goods to increase non-oil revenues. The country was still wrestling with an economic slowdown in 2017, when the GDP dropped to -0.78 percent, but it grew 2.2 percent in 2018. We expect growth to continue at nearly 2 percent this year and 3 percent in 2020. The government will increase spending by a record 7 percent and plans to provide one million retail jobs, increasing women’s participation in the labor force by 30 percent during the next 11 years.

Numbers aside, the country’s youthful population, healthy spend capacity, and dynamism are attracting major retailers using regional partnerships to establish themselves in the country. Apple paired with Fawaz Al Hokair Co. to open its first store, while SPAR International is working with Al Sadhan Group to open 40 stores by 2020. Diamond jewelry retailer De Beers opened a store in Riyadh with Saudi Jawahir Trading Company, and German luxury brand MCM entered the market with NicheArabia.

E-commerce is healthy and likely to grow further thanks to government plans to deploy high-speed Internet. Currently valued at $6.3 billion, online retail could reach $10.2 billion by 2023. It is thriving in part due to major e-commerce retailers such as Souq.com and Noon.com. Online is growing fast, with Todoorstep, Nana Direct, Danube, and Qareeb all well established, while Mezmiz and L’Organic are fairly new to the market. Many retailers are building an omnichannel presence, including IKEA and Landmark Arabia, which have launched click-and-collect service, and West Elm, which is working with Rent the Runway to establish an online channel and subscription model for its home furnishings products.
Jordan: Ongoing stability

**GRDI rank:** 8 (up seven positions)
**Population:** 10.14 million
**GDP per capita, PPP:** $9,433
**Total retail sales:** $15.4 billion

Jordan has felt the effects of regional conflict and a stagnant economy for several years, yet it remains one of the most stable and persistently growing economies in the Middle East over the long term. Borders are reopening with trade partners Iraq and Syria, which should drive export growth and jumpstart the economy. As a key trade partner, Iraq has accounted for 16 percent of Jordan’s exports since 2014.

The country’s retail market is an important part of the economy, having grown at a healthy 5 percent for two years running. Even with high unemployment (19 percent) and poverty (20 percent), the growth is expected to be 4.3 percent annually to reach $17.5 billion by 2021 and then level off at a still strong 5 percent through 2023. Across the country, retail is shifting toward modern channels, especially in the West Amman region, where upscale shopping outlets and wealthy consumers drive demand, in both prosperous and lagging times.

E-commerce is in its youth here, slowed by high logistics costs and middle-class shoppers’ price sensitivity. But rising disposable income and a sizable youth population indicate strong potential for online retail. Jordan’s Internet penetration is at least 62 percent. Ninety percent of Jordanians have a smartphone, most with an Internet subscription. Finally, the government’s tax exemption for online purchases also bodes well. Open Sooq, Amazon, Tawjihi, eBay, AliExpress, and Mawdoo are already in the market, and fertile conditions mean the prospects for more entrants in modern retail and e-commerce are good.
Colombia: Value-conscious and Internet-savvy

**GRDI rank:** 10 (unchanged)  
**Population:** 50.5 million  
**GDP per capita, PPP:** $14,943  
**Total retail sales:** $101 billion

Consumers are feeling confident again in Colombia, where retail sales grew 6.6 percent in 2018. Indeed, consumer confidence averaged 8.6 percent last year after faltering for 27 consecutive months, beginning in January 2016. GDP is expected to grow in coming quarters, supported by rising consumption in specific areas. Consumers are changing, not in their demand necessarily, but in where and how they want to shop. In 2018, they looked for value at a low price, so discount retailers and stores offering economical private label and local product offerings did well. Expansion of discounters will be a big trend going forward, too. Watch for continually evolving concepts, especially as competition intensifies. Price rules, so discounters’ strength will lie in low prices and convenient locations, including those in rural areas. Time-constrained customers are not searching out big-box stores. They favor retailers with smaller footprints and fewer SKUs, so that they can get in and out quickly.

Among new entrants in Colombia’s grocery, discount, warehouse club, and online sectors were **PriceSmart** (from the US), **Makro SA** (from South Africa), and **Mercado Libre** (from Argentina). Expanding retailers included **Ara** (to open 200 stores), **Tiendas D1** (to open 125 stores), and **Grupo Exito** (to open 58 stores). **Supertiendas Olímpica**, **Cencosud Colombia**, and **Oxxo** are also opening new stores. With 60 percent Internet penetration, Colombians have one of the highest Internet presences in South America. Last year, online retail grew 62 percent to $2.85 billion. Moreover, e-commerce is expected to achieve a 40 percent CAGR to reach $15.4 billion by 2023.
Brazil: A turning point ahead?

**GRDI rank:** 16 (up 13 positions)

**Population:** 211.48 million

**GDP per capita, PPP:** $16,154

**Total retail sales:** $472.2 billion

After two years of crippling recession, Brazil is still struggling to restore its economy, and many worry that another recessionary phase may hit. The country is on track for just 0.8 percent growth in 2019 due to weak pension programs, poor structural reforms, and low investments, which have led to decaying infrastructure and public services. Consumer spending reflects conditions. Spending per capita fell 9 percent in 2018 and is forecast to grow just 4 percent through 2024.

Yet the election of Jair Bolsonaro as president broke 14 years of left-wing rule, bringing hope to Brazilians that the future may improve. The economy is structurally stronger, the currency more flexible, and inflation has abated. If Bolsonaro’s government is successful, renewed confidence and rising income levels could spark retail growth. Government-sanctioned taxpayer withdrawals from severance indemnity and social contribution funds could allow discretionary spending. Labor reforms now let retailers hire workers for flexible hours, which could create 500,000 retail jobs.

Currently, consumers favor small-box formats for grocery, because the largely urban population shops for small quantities at high frequency. Still, mass merchandisers and cash-and-carry clubs could grow at 12.3 percent CAGR and 7.4 percent CAGR respectively through 2024. E-commerce is forecast to grow at an 11 percent CAGR to $34 billion during the next five years. National chain online sales are set to expand 12–16 percent during the same timeframe. International retailers have entered and left Brazil recently. British retailer **WH Smith** arrived in 2018, as did French fashion brand **Kiabi**. At the same time, **Versace, Ralph Lauren**, and **VF Corporation's Vans** and **Timberland** exited as the luxury market shrank. Still, **Casino** is investing $464 million in its Brazilian operations, **Carrefour** is improving its omnichannel capabilities, and **Amazon** is due to grow at a CAGR of 37 percent through 2023.
Bulgaria: European trailblazer

**GRDI rank:** 17 (new entrant)  
**Population:** 6.98 million  
**GDP per capita, PPP:** $23,156  
**Total retail sales:** $23.1 billion

Ranking in the GRDI top 30 for the first time, Bulgaria attracts retailers for several reasons. Consumer spending comprises half of GDP and has grown at a steady 3 percent annually since 2015, with continued growth at a rate of 2.5 percent forecast in the long term. The retail sector itself grew 7 percent in 2018. While small traditional stores still predominate, international modern retailers have made significant inroads, making Bulgaria a trailblazer for brick-and-mortar retail. Household grocery consumption is targeted to grow by 5 percent through 2023, and shopping mall development, especially in tourism regions, offers desirable retail space for foreign retailers, which can afford the rents. Bulgarians like foreign brands, especially in the household goods market, where just a few international retailers reside, including Mr. Bricolage, HomeMax, and Jumbo. IKEA was an early entrant in 2011, with stores in Sofia, Varna, and Burgas. It will open a store in Plodiv this year. German discount supermarket Lidl plans to open five stores each year, a strategic move, as discount will be one of the country’s fastest growing markets through 2023. In the competitive fast-fashion arena, H&M, Inditex, and LLP are strong.

Online, e-commerce is forecast to generate $626 million in revenue in 2019 and continue on a growth track of 8.2 percent CAGR for the next four years. Price-sensitive consumers gravitate online, prompting brick-and-mortar discounters to expand their multichannel offerings. Romania-based Dante International is the leading online retailer now, through its eMag brand. Amazon is hardly present, but H&M, Zara, and IKEA are active.

With one of the lowest corporate tax rates in the region (10 percent), and low labor costs, Bulgaria is relatively well positioned for foreign investments. Still, it behooves retailers to monitor the shrinking working-age population and the government’s slow progress in fighting corruption.
Turkey: Slow store expansion, but online beckons

**GRDI rank:** 22 (down 18 positions)  
**Population:** 83.71 million  
**GDP per capita, PPP:** $27,956  
**Total retail sales:** $208.3 billion

Serious challenges continued to take their toll on Turkey's economy and retail environment in the past year, causing it to plummet 18 rungs on the GRDI ladder. While GDP growth was strong up to 2016, it has slowed since. During the next decade, growth is forecast at an average 2.8 percent annually. The country's shift toward an Islamic-conservative autocracy has impacted its Western relationships, and conflicts with Syria and Iraq have caused great concern. Moreover, the devalued lira has allowed inflation to infiltrate the retail market, pressuring profitability while it increases operational costs. To that end, there have been no major retail investments during the first half of 2019.

Still, Turkey has one of the largest consumer markets in Europe. Modern retailers continue to gain ground against independent ones. Grocery accounts for 62 percent of total retail sales. Discount remains the largest and one of the fastest growing subsegments of grocery, driven mainly by acquisition and transformation of stores by local players BIM, A101, and Sok, which will open 500–1,000 stores in 2019, a rate it expects to maintain through 2023. Convenience is the second-leading format, dominated by Migros Ticaret. French retailer Carrefour appeals to middle-class consumers. And fashion enjoys a highly diverse market, where international players compete, especially in Istanbul and in shopping malls. Active big brands include Zara, Massimo Dutti, Victoria's Secret, and Mango.

E-commerce is poised to benefit from retailers' investments and the young, urban, middle-class population. The segment's current revenue is $8.05 billion and is expected to grow at 25.4 percent CAGR through 2023. Its largest segments are electronics and media. Migros Ticaret entered online grocery in 2018. User penetration is 61 percent and will climb to 70.2 percent, which could tempt other players to expand online as well, even as they slow brick-and-mortar expansion.
Russia: Tenacity and flexibility open doors

**GRDI rank:** 23 (down one position)
**Population:** 145.9 million
**GDP per capita, PPP:** $29,267
**Total retail sales:** $497 billion

One would think numerous sanctions and geopolitical tensions between Russia, Ukraine, and Western countries would thwart major retailers, but most seek to stay in the country, adjusting their strategy to the times. The economy they maneuver in remains dependent on the price of hydrocarbons and raw materials. GDP was $1.657 trillion in 2018, and growth climbed to a six-year high, albeit fueled by one-off factors such as high oil prices. A dwindling and ageing population causes labor-force concerns.

Consumers search out the best value, particularly in rural areas. Local players will continue to dominate, driven by expansion of Pyaterochka, Okey Group’s DA!, and Monetka. Convenience remains the largest modern retail channel, dominated by Krasnoe & Beloe and Bristol, which plan to open hundreds of stores. Consumer spending on grocery will grow 4 percent annually, limited by households’ continued wage stagnation. The picture is different in metropolitan areas, where consumers still enjoy “high street” shopping. H&M and Inditex are a major presence, with 139 and 549 stores respectively. Luxury brands Gucci, Ralph Lauren, Balenciaga, Burberry, and Louis Vuitton are growing, albeit online, where H&M and Inditex also plan to concentrate future resources. IKEA, Leroy Merline, Castorama, and OBI dominate housewares. Conversely, a few retailers are leaving Russia: UK-based NEXT will close its 24 stores due to low profitability, and leading retailer MediaMarkt closed all of its outlets last year, with M Video acquiring most of them.

As we mentioned above, online expansion continues. Revenue in Russia’s e-commerce will hit $18.61 billion in 2019 and grow at 7.5 percent CAGR through 2023. Complicated customs procedures and shaky postal services prevent international retailers from entering, leaving plenty of room for the nationals, which often seek joint ventures. Names here include Sberbank and Yandex, AliExpress Russia, Mail.ru Group, Megafon, and Russia Direct Investment Fund.
Egypt: Awaiting international entrants

**GRDI rank:** 26 (new entrant)

**Population:** 100.94 million

**GDP per capita, PPP:** $13,366

**Total retail sales:** $115.5 billion

Egypt appears on the GRDI for the first time, thanks to a growth revival led by recent economic and fiscal reforms. The economy expanded 5.2 percent in 2018 and will grow at about the same rate this year. Austerity measures let the government secure $12 billion in funding. That, along with domestic consumption, fed the growth spurt. However, fragile political stability, coupled with a 60 percent poverty rate, could curtail progress.

The retail sector saw solid 25 percent growth from 2017 to 2018, surpassing $115 billion in sales. Growth from 2018 to 2020 should be 13 percent. The Egyptian retail market is dominated by traditional grocery and small neighborhood shops, which provide value-for-money goods to low-income consumers. In comparison, supermarkets and hypermarkets saw consumers curtail their visits a bit in 2018, and introduced loyalty programs, promotions, and discounts to counteract price sensitivity. Along with food and beverage, apparel and footwear was a key growth segment during the past five years. Going forward, modern retailers will outpace traditional ones and could achieve growth of up to 14 percent.

Although no major retailers entered or exited the market in the past year, major Middle Eastern outlets have expressed interest in expanding to Egypt. UAE-based retailer **Lulu** will open eight hypermarkets in Egypt by 2022. **Majid Al Futtaim** will open 20 additional **Carrefour** stores, and **UAE Al Futtaim** will expand the Cairo Festival City Mall, adding 120 new stores.

Internet retailing is in an early phase but is expected to surge at a 28 percent CAGR through 2023 as local and foreign retailers enter the market. **Knockmart**, **Souq**, **Jumia**, **Fakahany**, **NGS Egypt**, and **OLX** are prominent e-commerce merchants now. Internet penetration is at 50 percent, but a lack of infrastructure and a cash-payment society are major hurdles.
Serbia: Rare European underdevelopment

**GRDI rank:** 27 (new entrant)
**Population:** 8.76 million
**GDP per capita, PPP:** $17,555
**Total retail sales:** $19.8 billion

As one of the poorest countries in Europe, per capita disposable income remains low in Serbia, and just 14.1 percent of households will earn more than $10,000 in 2019. Political instability is high compared to other countries in the region, too. So why has Serbia debuted on the GRDI? It continues to transition from a socialist republic to a market economy and democratic society. Increased private consumption and fixed investments accelerated economic growth by 4 percent in 2018. Growth is expected to slow to 2.5 percent this year, but wages are on the rise, which has led to annual increases in retail sales of 4.1 percent.

The food and nonalcoholic beverage sector, valued at $9.2 billion, has the largest share of household spend. German supermarket Lidl disrupted the discount market in 2018, where Tempo Ekspres has dominated. We expect the apparel and footwear market to grow, supported by the expansion of fashion giants H&M, Inditex, and LLP, IKEA, Minio, and Emmezeta recently entered the household goods market and could increase consumer spending to 5.3 percent annually for the next four years. Vibrant shopping districts have mushroomed in Belgrade, Novi Sad, and Nis. Austrian real estate investor Immofinanz Group has begun construction of its 10th retail park under the STOP SHOP name, where brands including Deichmann, DM, Waikiki, New Yorker, and Sport Vision will set up shop.

Several factors are slowing expansion of the country’s e-commerce, namely a shrinking population of consumers between 20 and 39 years old and poor infrastructure. Yet, e-commerce is expected to outpace traditional channels with a 9.6 percent CAGR, which should generate revenue of $510 million by 2023. Electronics and media hold the largest share. While average revenue per user is just $61.08, the country’s 2.9 million online shoppers should increase by more than 1 million by 2021.
The authors wish to thank the following colleagues for their valuable contributions to this report: Nikhil Rajput, Priyanka Gupta, Indira Banerjea, Anders Lofgren, Sohal Choubey, Smriti Tankha, Stefan Marcu, Bart Van Dijk, Bob Willen, Esteban Bowles, Maple Zhang, Subhendu Roy, Mohammed Dhedhi, and Priyanka Gupta.
Appendix: About the Global Retail Development Index

The A.T. Kearney Global Retail Development Index ranks 30 developing countries on a scale of zero to 100—the higher the ranking, the more urgency to enter a country. Countries are selected from 200 nations based on three criteria:

**Country risk.** Greater than 35 in the Euromoney’s country risk score

**Population size.** Five million people or more

**Wealth.** GDP per capita of more than $3,000 (The GDP-per-capita threshold for countries with more than 35 million people is more flexible because of the market opportunity.)

Scores are based on the following variables:

**Country and business risk (25 percent)**

**Country risk (80 percent).** Political risk, economic performance, debt indicators, debt in default or rescheduled, credit ratings, and access to bank financing. The higher the rating, the lower the risk of failure.

**Business risk (20 percent).** Business cost of terrorism, crime, violence, and corruption. The higher the rating, the lower the risk of doing business.

**Market attractiveness (25 percent)**

**Retail sales per capita (40 percent).** Based on total annual sales of retail enterprises, excluding taxes. A score of zero indicates an underdeveloped retail sector; a score of 100 indicates a mature retail market.

**Population (20 percent).** A score of zero indicates the country is relatively small with limited opportunities for growth.

**Urban population (10 percent).** A score of zero indicates a mostly rural country; 100 indicates a mostly urban country.

**Number of large cities (10 percent).** A score of zero indicates all cities in the country have less than a million inhabitants; 100 indicates a significant number of large cities with more than a million inhabitants.

**Business efficiency (20 percent).** Parameters include government effectiveness, burden of law and regulations, ease of doing business, and infrastructure quality. A score of zero indicates inefficiency; 100 indicates highly efficient.

**Market saturation (25 percent)**

**Share of modern retailing (30 percent).** A score of zero indicates a large share of retail sales is from a modern format within the average Western European level of 200 square meters per 1,000 inhabitants. Modern formats include hypermarkets, supermarkets, discounters, convenience stores, department stores, variety stores, warehouse clubs, and supercenters.
**Number of international retailers (30 percent).** Country presence was analyzed for about 300 retailers. Countries with the maximum number of retailers have the lowest score.

**Modern retail sales area per urban inhabitant (20 percent).** A score of zero indicates the country ranks high in total modern retail area per urban inhabitant, close to the average Western European level of 200 square meters per 1,000 inhabitants.

**Market share of leading retailers (20 percent).** A score of zero indicates a highly concentrated market; 100 indicates a fragmented market.

**Time pressure (25 percent)**

The time factor is based on 2016 to 2018 data, measured by the CAGR of modern retail sales weighted by the general economic development of the country (CAGR of GDP from 2016 to 2018 and forward-looking from 2019 to 2021) and CAGR (2016 to 2018) of the retail sales area weighted by newly created modern retail sales areas. A score of 100 indicates a rapidly advancing retail sector, thus representing high time pressure to enter the country and capture the growth opportunity.

Data and analysis are based on the United Nations Population Division database, International Monetary Fund, and Economist Intelligence Unit national statistics; Euromoney and World Bank reports; and Euromonitor and Planet Retail databases.
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