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RÉSUMÉ – Cet article analyse les modalités et logiques d'implantation et de retrait de Carrefour en Algérie et cherche à en tirer des leçons généralisables aux pays émergents. Le cas de Carrefour est assez original puisque cette enseigne a connu sur une période très courte un mouvement d'implantation, de retrait puis de réimplantation. L'analyse fine de ce processus permet de valider ou d'infirmer les différentes raisons évoquées dans la littérature pour initialement justifier le retrait de l'enseigne.

MOTS-CLÉS – Investissement, désinvestissement, Algérie, pays émergents, FDI, grande distribution.

DJELLAL (Faridah), GALLOUJ (Camal), « International investment and divestment of European grocery retailers in developing countries. The case of Carrefour in Algeria »

ABSTRACT – This article analyses the modalities and logics of investment and divestment of French mass distribution retailer Carrefour in Algeria, and seeks to draw lessons that can be generalised to emerging countries. The Carrefour case is fairly unusual, in that this retailer has experienced establishment, withdrawal and then re-establishment over a very short period of time. A detailed analysis of this process makes it possible to validate or invalidate the various reasons given in the literature as initial justification for the company's withdrawal.

KEYWORDS – Investment, divestment, Algeria, emerging countries, FDI, large scale retailing.

# INTERNATIONAL INVESTMENT AND DIVESTMENT OF EUROPEAN GROCERY RETAILERS IN DEVELOPING COUNTRIES

The case of Carrefour in Algeria

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## INTRODUCTION

Many major players in international retailing – including Auchan, Casino and Metro – have, since the early 2000s, sought to enter the Algerian market. However, despite (often very thorough) prospecting actions, their strategies have rarely met with success. To date, only Carrefour has taken the plunge, with its initial failed incursion being followed by a strong comeback on the Algerian grocery retailing market. The case of Carrefour is rich in lessons for the future of international retailing in Algeria (as well as more broadly, across the whole MENA region). However, apart from the research carried out by Djedidi and Hani (2016, 2019), which focuses on Carrefour's image and customer perception of this image, there has been scant research carried out on this particular case<sup>1</sup> of retailing

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1 Though this case is only partially mentioned in some writings (*cf.* Bonafi, 2014).

investment-divestment in North African countries, and more broadly across the whole MENA region.

The objective of this paper is to achieve a better understanding of the conditions of the Carrefour group's entry, exit and then re-entry in Algeria. In Section 1, we analyse the conditions in which Carrefour made its entry, highlighting the difficulties the retailer faced on the Algerian market. In Section 2, we discuss the reasons behind the retailer's withdrawal. This renunciation did not result in the disengagement of its local partner "Arcofina", and neither had Carrefour itself completely given up. It retains strong ambitions for the promising Algerian market. In Section 3, we analyse the modalities of Carrefour's return to the Algerian market. Lastly, Section 4 is devoted to a general discussion of Carrefour's strategy and extends more generally to the success and failure of retailers in international operations.

## 1. CARREFOUR'S INITIAL ARRIVAL IN ALGERIA

Carrefour's foray into Algeria was conducted via a partnership with the Ardis-Arcofina conglomerate. To date, the only information available on the nature of this partnership is both contradictory and fragmented; it is described as a 5-year<sup>2</sup> franchise agreement. Nevertheless, the establishment of Carrefour was significant, and had strong symbolic, strategic and institutional impact. Indeed, Carrefour was the first international retailer to set foot in Algeria, and was likely to pave the way for many others. In 2006, then, the first Carrefour hypermarket opened in the Hussein Dey district, in the east of capital city Algiers.

This 3,000 m<sup>2</sup> hypermarket, opened its doors on January 16, 2006, with about 400 employees. The first phase of the establishment can be considered a success; the Carrefour brand and retail format attracted numerous Algerian shoppers to the country's first real hypermarket. Customer expectations – in terms of range, price, quality of service, even reception – were sky high.

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2 "Arcofina ne compte pas abandonner la grande distribution" ["Arcofina has no intention of abandoning mass distribution"] Le Maghreb, 22 February 2009.

According to its managers, the store, which had expected 3,000 customers per day, found footfall was more than double that – even up to five times as many people, if those who were ‘just visiting’ are taken into account. It was the apparent success of this pilot store in the first few months that made it possible to envisage a fairly quick expansion. As a result, the partners planned to open 18 such hypermarkets over the next six years (i.e. by 2012), at least three of which were to be in and around Algiers<sup>3</sup>. However, less than two years after opening the first store, the Carrefour group decided to leave Algeria, abruptly ending its experiment with a statement as terse as it was laconic: “The concept of mass distribution has not really taken off in Algeria<sup>4</sup>”. It should be noted that in early 2009, just as Carrefour was leaving Algeria, it signed a franchise agreement with the Moroccan retailer LabelVie. This agreement has earned Carrefour 30% of the Moroccan food retail market, based on early 2021 data from 11 Carrefour hypermarkets, 11 Atacadao Cash & Carry outlets and around 90 “Carrefour Market” supermarkets.

## 2. THE REASONS FOR DIVESTMENT

Understanding the exact reasons for a retailer leaving a given country is often tricky, and these difficulties are only exacerbated by the fact that in such cases (for reasons of strategic behaviour and economic intelligence) discretion is always a requirement. The “official” reasons stated are not always the real reasons. Nevertheless, a certain number of explanations were disseminated through the national press, and these referred to land scarcity, informal retailing and regulation constraints. Djedidi and Hani (2016, 2019) offered the most realistic and interesting analysis of the Carrefour’s first implementation phase and the reasons for its failure. These included restrictive regulations, strong local competition, a gap in consumer perception and operational constraints.

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3 Two Carrefour hypermarkets had been due to open in 2007 on the city’s outskirts – one on the airport road and the other in the western area of Cheraga.

4 “*Carrefour stoppe son aventure algérienne*” [*Carrefour halts its Algerian adventure*], LSA, 26 February 2009.

## 2.1. A BINDING REGULATORY FRAMEWORK

In many respects, Algerian regulation serves as a deterrent to foreign investment, including in mass distribution and retailing. For example, the current “51/49” rule limits foreign operators’ options in terms of strategic control of their investments. Similarly, the so-called 30% rule (which imposes a minimum threshold of 30% of sales deriving from local production) can be a source of problems, especially in a country that, to date, has been importing most of its food. It should also be noted that a 2008 law prohibits the payment of royalties to foreign franchisors. But what economic players mention (far more often than “regulation” in the strictest sense of the word) is what they call “administrative transaction costs” and “regulatory uncertainty”, which further reduce potential for medium- and long-term business projections.

## 2.2. STRONG LOCAL COMPETITION

Djedidi and Hani (2016) highlighted the role played by the informal market in the failure of Carrefour’s initial implementation. The informal sector is indeed a major contender in Algeria, where it is estimated to represent 30 to 40% of the national economy (and probably an even higher percentage in retailing). However, though it may have played a certain role in Carrefour’s failure, we consider that this would only be at the margins. The informal market issue is a known fact, and it impacts on the whole national formal economy in the same way.

The argument that Carrefour has been impacted harder than other modern structures may however make sense. The informal market tends to focus on foreign products and brands – especially those from France, for which demand in Algeria is high. However, this is counterbalanced by the fact (and we will come back to this later) that the proportion of French products sold by Carrefour hypermarkets appears extremely low. . . and this is one criticism made by a large proportion of local customers.

In reality it is the competition from the formal retailers (or rather their resistance) that should be considered a major explanatory factor in Carrefour’s disengagement – much more so than the informal market constraint, which is imposed on everyone. Indeed, even as Carrefour was setting up shop in Algeria, a large number of local competitors were emerging – either in a structured and integrated mode (Blanki,

Numidis, Family Shop), or more generally in an entrepreneurial mode (a multiplication of supermarkets, all of which were offering fairly attractive prices).

### 2.3. A GAP IN CONSUMER PERCEPTION

Djedidi and Hani (2016, 2019) carried out some very informative research on consumer perception of the Carrefour Algeria image, and observed a significant gap between the real and the ideal image of Carrefour. According to these authors (2019, p. 16), “in the minds of the consumers (...), Carrefour is seen as a hygienic retailer, with convenient opening hours and days, ensuring product diversity and availability, having helpful staff, a modern atmosphere, an attractive design. It is also well-stocked, offering good quality products, inspiring confidence and allowing the consumer to enjoy experiences that are enriching.” However, the authors also stated that the Carrefour brand is not associated with attractive promotions, flexible payment methods, a pleasant customer base or a relevant location. On the contrary (and this is undoubtedly one of the causes of its failure), the Carrefour hypermarket had a policy of skimming prices rather than mass marketing. In other words, in terms of price, Carrefour was addressing an upmarket clientele (CSP +), but without the environment, atmosphere or in-store service experience being in line with the expected clientele.

Way back in 2009, Abdennour Nour<sup>5</sup> highlighted major shortcomings that consumers could not fail to notice: poor shelf life, limited referencing, questionable quality of fruit and vegetables and high prices. In other words, faced with a consumer whose expectations regarding the Carrefour brand were very high, the store offered neither the range nor the positioning that would differentiate it from incumbent local mass retailers, while practising high prices. Djedidi and Hani (2019, p. 18-19) also quote a certain number of Algiers consumers, clearly very evocative of the perception gap between the “real” Carrefour and the “fake” (or alleged fake) Carrefour:

*“It is total anarchy. Too many people, jostling, and you can only find local products.”*  
*“I found cockroaches... Instead of Carrefour, it is called cockroach store.”*

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5 Professor at INC (HEC), interview with *Points de Ventes*, March 2009.

*“The store in Hussein Dey was a big Algerian supermarket illegally using the Carrefour name. The evidence for this is that there is not even a Carrefour logo on the products.”*  
*“The store in Algeria was not the real Carrefour. It was just an Algerian investor using the logo.”*

This perception gap could have been mitigated by an ad hoc communication policy. It seems that the Carrefour group was not sufficiently involved with its local partner in a relevant communication strategy, focused on Algerian customers and prospects.

#### 2.4. MANY OPERATIONAL CONSTRAINTS

Though numerous operational constraints may have hindered the Carrefour strategy, most are fairly common and would affect any international operator seeking to establish itself in Algeria. Some of these constraints may be more significant in the retail sector than in other sectors.

##### 2.4.1. *A gap in human resources*

Mainly at management level, the question of human resources is also a major issue in mass retailing. There is a struggle to train expert distribution managers both across the Maghreb markets as a whole, and on the Algerian market (which, as is glaringly obvious, still lags behind) in particular. It is no coincidence that both the Director and the Deputy Director of Carrefour Bab Ezzouar were expatriated French executives<sup>6</sup>, and as such, extremely expensive for the local structure. And in terms of functional and operational managers (even intermediary managers), it is also clear that despite the presence of excellent business schools, the Algerian educational system has not, to date, succeeded in providing the retail industry with enough appropriately-skilled managers. The human resources gap also concerns medium- and low-skilled personnel (cashiers, handlers and warehousemen, security guards, etc.). Here again, despite ad hoc training programmes, many employees failed to meet the skills standards (in terms of both productivity and customer relationship) that are expected of employees in international mass distribution. In other words, both “service relationship” and

6 Hugues Bailly, CEO and Laurence Azagoli, Deputy CEO.



“sense of service” were very weak. This observation was regularly highlighted by both professionals and researchers (Bonafi, 2014). As long ago as 2013, on the sidelines of the 2<sup>nd</sup> International Conference<sup>7</sup> on Retail and Shopping Centers, the director of the Algiers Chamber of Commerce declared: “Today there is an urgent need to supervise young people in sales activities, since, very often, recruitment is done in an anarchic way. In addition, it is necessary to think about resolving the problem related to the lack of competent managers in distribution”. In this low skill context, in April 2006, Carrefour fired around 60 employees who were trained internally, but whose trial period was not considered conclusive<sup>8</sup>.

#### 2.4.2. *Financial failures of the partner?*

In Algeria, access to funding is quite a complex and restricted task. Financial resources are very often limited to self-financing, and recourse to bank loans is rare. Algerian banks are often considered extremely cautious in granting credit<sup>9</sup>. In November 2008, the Commission for the Organisation and Supervision of Stock Exchange Operations (*Commission d'Organisation et de Surveillance des Opérations de Bourse/COSOB*) authorised Abdelouahab Rahim, CEO of Arcofina, to launch a public bond issue for 8.3 billion dinars (about 100 million euros) over 7 years. This operation had been intended to finance “Algiers Medina” (a planned Algiers business centre) which was to include, in addition to a hypermarket, tower blocks (apartments, hotels, and offices), an aquapark and a marina. The bond issue launched in 2009 was not completely successful<sup>10</sup>; indeed, the company managed to raise only 2.8 billion dinars, leading it to revise its ambitions downwards. Carrefour’s withdrawal may thus also be partly related to its local partner’s inability to finance the fast, steady establishment of a national network of hypermarkets.

7 During this conference, an agreement was signed with Switzerland to set up a pilot sales training school. “Commerce de détail, ces vendeurs mal formés” [“Retail trade, these poorly trained salesmen”], Algérie360.com, 12 December 2013.

8 « *Après six mois d'essai, Carrefour se sépare d'une soixantaine d'employés* » [“After a six-month trial period, Carrefour fires about sixty employees”], El Watan 16 April 2006.

9 According to some estimates (Bonafi, 2014) only 20 to 25% of companies use bank credit.

10 In particular because the public banks did not participate.

### 2.4.3. *Logistical failures*

Logistical constraint, in the broadest sense, is a recurrent issue in Algeria, in terms of both discourse and facts. Failure to meet deadlines at any level in the logistics and distribution chain is the norm, rather than the exception. According to a World Bank ranking published in 2009<sup>11</sup>, Algeria is 140th out of 150 countries for mastery of transport and logistics processes. Nouri and Ghidouche (2014) note that Algeria ranks far behind Morocco and Tunisia in terms of logistics skills, efficiency of procedures and meeting deadlines. The country is thus characterized by significantly higher logistics costs than its two North African counterparts and competitors. Moreover, they argue, Algeria's weaknesses are also marked by an absence of intermodal transit connecting platforms and logistics bases.

### 2.4.4. *Insufficiently-structured supply chains*

Supply disruptions in supermarkets – and in particular in the case in question – are essentially linked to sectors that are both unstructured and deprived. 75% of the country's food is currently imported, and its agricultural and agri-food sectors are very weakly integrated (especially given that nationally, their production is very low) and often limited to cereals, milk, oil, sugar, mineral water and canned food (Bonafi, 2014, p. 256). This quantitative failure is compounded by a qualitative failure, leaving local producers struggling to stabilise the quality levels of their supply. Wholesale structures and markets are failing, and the only central purchasing office that exists is the one set up recently by Numidis.

### 2.4.5. *Land scarcity*

One difficulty often faced by major Algerian companies is the scarcity of land. Large organisations are inevitably space-consuming, but in most regions, they face difficulties accessing land in areas suitable for building large retail units<sup>12</sup>. As Abdelouahab Rahim (CEO of

11 La Vie Économique : transport et logistiques, édition spéciale, [La Vie Économique: transport and logistics, special edition] n° 4496, January.

12 « *Arcofina ne compte pas abandonner la grande distribution* » [“Arcofina does not intend to give up mass distribution”], Le Maghreb, 22 February 2009.

Arcofina) declared to the national press<sup>13</sup> in 2009: “We were unable to succeed in getting the sites to set up on. It was not easy because the areas requested are very large”. In an interview with the magazine “Point de vente” in March 2009, Abdennour Nouiri mentioned the complexity of the land status in Algeria. He confirmed that the Carrefour group had failed to acquire the land it had wanted, which had reinforced its decision to leave Algeria (see also Bonafi, 2014). Nouiri and Ghidouche (2014) consider the question of land and its management to be far from a priority for Algerian public authorities, observing (p. 14) that despite the implementation of new support measures aimed at improving investors’ access to industrial land, the current situation is reflected in the scarcity of land (due in particular to the pace of urbanisation and high land consumption), the problem of land registration management and, lastly, the problem of industrial zone organisation. The purchase of land is thus very often made at the price of building land, which has reached record levels. The authors also mention the creation of a National Agency for Land Intermediation and Regulation (ANIREF) in order to improve the situation – yet its wishes have not resulted in concrete actions to make suitable land available.

#### 2.4.6. *Unsuitable location and architecture*

At a level that is both even more direct and more directly operational, some experts put forward an inappropriate choice of location for the Carrefour hypermarket: “one of the reasons (for Carrefour’s failure) was the location of its store on Boulevard des Fusillés (formerly Lafarge) with all its inconveniences in terms of traffic, a mini-parking lot and a two-storey building<sup>14</sup>”. Ines Bonafi (2014, p. 255) considers that “the Carrefour group has a share of responsibility that cannot be ignored. First of all, this 3,000 m<sup>2</sup> supermarket<sup>15</sup> (hypermarket) was very badly located. There are districts in Algiers that are much more attractive for the establishment of a pilot store than the very popular Hussein Dey

13 *Op. cit.*, Le Maghreb, 22 February 2009.

14 « *L’expérience des galeries algériennes brutalement arrêtée* » [“The experience of Galeries algériennes abruptly stopped”], El Watan, 29 June 2015.

15 It is a hypermarket according to Western standards but of course a rather small one as the surface area is just over the 2500 m<sup>2</sup> common threshold.

district. Moreover, access there was quite tricky, with insufficient parking spaces... an obvious mistake for the establishment of a first store”.

Specialists in mass retailing generally recognise that for hypermarkets, architecture across two or more floors is both restrictive and costly. Indeed, insofar as it often requires the duplication of services and stations, it considerably reduces profitability. Similarly, this often impacts turnover, insofar as customers are generally reluctant to take the escalator, elevator or stairs to get to the second level.

### 3. THE RETURN OF CARREFOUR

After its 2009 failure and exit, Carrefour returned to the Algerian market in early 2015. This was after the group had already, in 2013, tried a discreet return to the market by negotiating an opening in the Sétif area. Thus, according to the local and international press<sup>16</sup>, “discussions between the division in charge of international partnerships at Carrefour, and the shopping centre built by Algerian developer Prombati of Rachid Khenfri, concerning the opening of a hypermarket of about 7,800 m<sup>2</sup> have made good progress.” The Carrefour group had even begun direct negotiations with the director of Sierra Cevital – operator of the country’s largest shopping mall.

Carrefour’s return in 2015 relied primarily on a Tunisian partner and was indeed, run by HDA (Hyper Distribution Algeria) – a company 30% owned by Carrefour Tunisia and 70% owned by ASICOM (equally-co-owned by the Algerian and Saudi states). The new Carrefour hypermarket opened its doors in June 2015 in the municipality of Bab Ezzouar<sup>17</sup>, in the immediate vicinity of Algiers airport. Unlike the previous store, which had been spread across two floors, this one is a standard single-storey hypermarket occupying a 4000 m<sup>2</sup> area and employing about 300 people.

16 « *Carrefour souhaite ouvrir un hypermarché à Setif* » [“Carrefour wants to open a hypermarket in Setif”], Sétifinfo, 4 July 2013.

17 more precisely between Bab Ezzouar and El Mohammédia within the leisure centre “City Center” leisure centre.

From an operational standpoint, the mid-June opening was well thought out, because the distributor was able (at the time of opening) to take advantage of the month of Ramadan – which, against all odds, is one of the most active months for businesses in Maghreb as well as in Muslim countries more generally. Paradoxically, this second hypermarket, established in Algiers in 2015, was opposite Ardis, the only other hypermarket (located on the Algerian coast), which – from 2006 to 2009 – had itself been carrying the Carrefour brand (see Box 1).

#### 1. Arcofina-Ardis in “solo mode”

Far from being discouraged by Carrefour’s 2009 exit from the Algerian market, the group’s local partner decided to pursue its development alone; a hypermarket under the Ardis brand was thus planned for the end of 2009. Indeed, Arcofina was able to take advantage of Carrefour’s “retail know-how and competences” in order to become a major player in modern Algerian distribution. According to Euromonitor, it represented 22% of the supermarket distribution market in Algeria in 2017, just behind Numidis (58%) and ahead of HDA (5%). Since then, Ardis has opened two hypermarkets in Oran (LiperCity and Bir Jdid). The brand has not given up on the ambitions it expressed during its partnership with Carrefour, and plans a rapid deployment in Tizi Ouzou, Biskra, Ouargla and Annaba, before considering wider implantation in cities of interest having more than 50,000 inhabitants. The ultimate objective is to establish a network of about 20 stores. It is important to bear in mind that despite the difficulties encountered, conglomerates such as Arcofina have a vested interest in maintaining a hypermarket division, especially given that mass retailing (and hypermarkets in particular) remain a formidable cash cow.

A second Carrefour group hypermarket, in Bordj Arreridj (on the road to Sétif), was announced for 2018. Once again, the project was a medium-sized hypermarket (by Carrefour’s usual standards) with a surface area of 4,200 m<sup>2</sup>. It was expected to employ around 400 people and offer parking for more than a thousand vehicles. The project was ultimately to be completed two years late, at the end of 2020. This may mean that local anchoring of a foreign retailing brand, even a recognised one, remains difficult in Algeria.

#### 4. DISCUSSION

Much management sciences research has addressed the question of success and failure factors in mass retailing at international level. Some of this research has dealt with the issue in general terms (Burt *et al.*, 2003, 2004; Alexander *et al.*, 2004; Streed and Cliquet, 2013; Aklamane, 2014), while other studies have focused on one or more specific case(s) or brand(s): Ahold (Palmer and Quinn), Marks and Spencer (Mellahi *et al.*, 2002; Alon and Perrigot, 2003; Jackson *et al.*, 2004), Tesco (Palmer, 2004), WalMart (Christopherson, 2007), Walmart and Carrefour (Durand, 2007), Walmart, Carrefour and Tesco (Ryu and Simpson, 2011). Another approach entails focusing on a given country: Poland (Feldmann, 2016) or Germany (Christopherson, 2007), for example.

While the literature on investment and divestment operations in mature countries is particularly extensive, these dynamics have been neglected in developing and emerging countries (probably due to lack of data). Moreover, this neglect is exacerbated for the Maghreb and across the MENA region, where publications on this topic can be counted on the fingers of one hand. Indeed, there is very scant scientific literature on international investment-divestment operations in retailing in these countries. As acknowledged above, exceptions include recent works by Djedidi and Hani (2016, 2019). Nevertheless, the list of mass distribution failures in these markets is quite long. Thus, in Morocco alone (*cf.* Gallouj, 2020a, 2020b), these failures include Ahold, Metro, Auchan, Weldom, Bricorama, Mr. Bricolage, Leader Price, etc. Another important characteristic of the establishment (and subsequent success or failure) of international retailers is that, in most developing countries of the Maghreb and Africa, it is rarely direct (that is, cost-heavy and based on subsidiary grown from scratch), and more often an altogether lighter and more gradual process – especially when based on franchising or similar forms of partnership. Where they exist, equity stakes are very often in the minority (with the exception of Auchan during its Moroccan (mis)adventure). Beyond the fact that this is the first international establishment in Algeria's modern mass distribution sector, analysis of the Carrefour Algeria case introduces another

interesting specificity; there are few cases in the literature in which a single brand has made an exit followed by a return within a relatively short period of time. From this point of view, Carrefour Algeria can be considered a textbook case. In any case, it makes it possible to validate – and above all, invalidate – some of the hypotheses initially put forward to justify the exit.

In general, the literature (Burt *et al.*, 2004) estimates that in the event of difficulties, the average time separating entry to, and exit from, a given market is between four and six years: “the length of time that a retailer is present in a host market before divestment occurs varies considerably, in general terms most exits occur within four to six years of entry, and the majority of exits occurred within five years of entry” (Burt *et al.*, 2004, p. 490). Carrefour’s exit seems to have happened at an accelerated pace, less than 18 months after entry – which can probably be explained here by the group’s fairly low investment and involvement as well as, of course, by the establishment method based on a franchise-type partnership. Most of the reasons given in the press and in the few existing academic works on the topic fall within the conceptual framework developed by Benito (1977) before being taken up and adapted to retailing by Burt *et al.* (2003): environmental or market failures, competitive failures, operational failures and managerial or governance failures.

A combination of these elements undoubtedly played a role in Carrefour’s decision to leave Algeria. However, the fact that, less than four years later, Carrefour undertook a return to the Algerian market (with a first attempt in 2013 and a concretization in 2015) means that any role played by most of these elements can be dismissed and disqualified. Indeed, among the failures and constraints evoked for the 2006-2009 period, many are not only still at work today, but are also imposed on all the retailers present on the market as well as on any new entrant. It is therefore necessary to use a process of elimination, and consider which constraints and failures from 2006-2009 can be (or have been) removed. In so doing, the real factors that played a role in 2006-2009 can be delineated and identified more directly and precisely.

TAB. 1 – Two moments of Carrefour establishment in Algeria.

	Entry and establishment 2006-2009	Entry and establishment 2015
Environmental or market failures	<ul style="list-style-type: none"> <li>– Algerian regulations fairly dissuasive</li> <li>– 51/49 rule, minimum threshold of local products had to be included in the range</li> <li>– Difficulties in repatriation and transfer of foreign currency, administrative hassle</li> </ul>	<ul style="list-style-type: none"> <li>– No significant changes in regulations</li> <li>– No significant softening</li> </ul>
Competitive failures	<ul style="list-style-type: none"> <li>– Consumers disappointed by the concept and its positioning</li> <li>– Competition from the informal market and from grocery and convenience store networks</li> </ul>	<ul style="list-style-type: none"> <li>– Attempt to reposition both formula and format, to better adapt to customer needs and demand</li> <li>– Strong competition from the informal sector and other business structures</li> </ul>
Operational failures	<ul style="list-style-type: none"> <li>– Lack of qualified skills in distribution management</li> <li>– Under-skilled and unproductive core staff</li> <li>– Faulty and weakly-structured supply and logistics chains</li> <li>– Scarcity and high cost of land</li> <li>– Unsuitable location</li> <li>– Sub-optimal shop structuring and organisation</li> </ul>	<ul style="list-style-type: none"> <li>– Few developments, despite the announcement effect</li> <li>– Shop on single, ground-floor level</li> </ul>
Managerial or governance failures	<ul style="list-style-type: none"> <li>– French director and assistant director</li> <li>– Difficulties in accessing bank financing and restrictions on use of the bond issue</li> </ul>	<ul style="list-style-type: none"> <li>– Involvement of the Algerian state as a shareholder</li> <li>– Relaxation of financial (and probably also regulatory) constraints</li> <li>– Risk-taking assumed by the Tunisian partner</li> <li>– Foreign (Tunisian) director – ‘culturally compatible’.</li> </ul>



Table 1 shows that most of the reasons envisaged to explain the Carrefour exit are still at work. Nevertheless, we can perceive two major levers of action that Carrefour either is using, or may have used. The first of these is the positioning of the formula, which involves reducing cognitive dissonance with the consumer. The second is governance and the involvement of the Algerian government. This involvement, which could favour regulatory stability or even induce a favourable reorientation of the regulatory framework, might also contribute to reducing financing insecurity.

From the governance point of view, we note that the company management has, this time around, been entrusted to Tunisian executives<sup>18</sup> who are probably a better “cultural fit”. Another interesting element is the indirect nature of the Carrefour’s establishment: this time it is Carrefour Tunisia, rather than Carrefour France, that has carried out the establishment in Algeria; in other words it has been achieved through the Tunisian franchisee. Nevertheless, in our opinion, this indirect entry via the Tunisian structure, while a good choice, was not necessarily the optimum choice. Carrefour has been established in Tunisia since 2001 and has quite a modest network, as its position is not yet well established. An entry via the Moroccan market might have been more judicious, since the Moroccan Carrefour franchisee, LabelVie, achieves excellent performance and currently holds more than a 30% market share, with positive growth dynamics. It is clear, however, that here the economic issue gives way to political issues related to the ongoing and insurmountable rivalries between Morocco and Algeria, which reach well beyond the issue of the Western Sahara.

## CONCLUSION

Although cases of failures in the establishment of mass retailing in developing and emerging countries are, as we have seen, few and far between, the case of Carrefour Algeria is worthy of attention, as it is

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18 Mohamed El Euch, CEO, who took up office in 2014, was previously CFO at Carrefour Tunisia.

quite distinctive. In this short monograph, we have addressed the difficulties in identifying the true motivations for the brand's divestment and observed that the reasons evoked in the press, prior to being relayed and conceptualized in academic work, can be called into question. By comparing the prevailing environmental and organisational conditions during the two experiences of establishment, we were able to refine the analyses – shedding light on Carrefour's real reasons for divestment from Algeria.

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