and interest costs.

Noble has launched a defence of sorts. Its top brass have bought shares in the firm, presumably to signal their confidence in it. On March 5th it issued an 11-page rebuttal, suggesting that a disgruntled ex-employee was behind Iceberg. It also gave more detail about the "fair value" positions. They reflect over 12,000 individual contracts, almost half of which mature within two years. Over the past three years the firm has realised $800m of cash from such positions. Yet the rebuttal omitted a vital piece of information: how much profit has been booked from these positions. Without this nugget it is hard to form a sensible judgment about Noble's books or health.

Even if its shares fall further, Noble can service its debts—it has $2 billion falling due in the next two years, against about $5 billion of liquidity in the form of cash and bank facilities. Standard & Poor's, a ratings agency, has said it is comfortable with its "BBB-" rating of the firm. Yet Noble also needs to command the confidence of its trading counterparties around the world. And the price of credit-default-swaps on Noble, which insure against the risk of default, have ballooned, according to Bloomberg, an information service. That suggests the firm needs to offer a better explanation of how its accounts work—and soon. ■

Aldi and Lidl

Tomorrow, not quite the world

FRANKFURT

The German discounters' successful business model only stretches so far

IN GROCERY, at least, globalisation has met its match. Many of the most illustrious names in the business have had to retreat from disastrous forays abroad. Carrefour of France has quit 19 foreign markets in the past 20 years. Tesco of Britain lost billions on a failed attempt to make it big in America, abandoned in 2013. In 2006 Walmart of the United States, the world's biggest retailer, gave up on its attempts to conquer Germany and South Korea.

In the past few years the big success story in food retailing has been the international expansion of Aldi and Lidl, two German chains founded in 1946 and 1973 respectively. They are now the world's biggest "deep-discount" grocers, offering mostly their own brands of goods and almost no premium-priced products. The Schwarz Group, which owns Lidl as well as a hypermarket brand, Kaufland, is also Europe's biggest retailer. As mainstream supermarket groups contract, in Europe especially, the German duo continue to eat up market share. So, how far can they go?

Piling it high, selling it cheap

In their home market their position is strong, though far from dominant. Their combined share of sales among German food-retailing chains was just over a quarter last year, reckons Planet Retail, a research outfit. Aldi (which is divided into two legally separate but co-operating companies, Aldi Nord and Aldi Süd) had 14.8% and Lidl 10.9%. In Europe as a whole they are still relatively small: Aldi has a 3.3% share of sales and Lidl 3.8%. In Britain—where the two increased their sales by 22.6% and 15.1% respectively last year—their combined share is now 8.5%. Aldi, which already has 600 stores in Britain, aims to have about 1,000 outlets by 2022.

Aldi's performance in Australia has been impressive. The discounter opened its first store there in 2001 but already has about 10% of the grocery market on the eastern seaboard. It recently announced plans to spend A$700m ($530m) on distribution centres and outlets to expand into southern and western Australia.

In America, Aldi has been quietly growing for decades. Aldi Süd has 1,375 stores under its own name, mainly on the east coast, but has expanded into Texas, Florida and California. Aldi Nord operates 435 shops in America under the name of Trader Joe's. Together they have just 1.7% of the national market. But in 2013 the group announced a $3 billion expansion plan, to add 650 Aldi-branded stores. Lidl had planned to enter the American market this year but has postponed this until 2018.

Despite the impression of relentless expansion, Aldi is picky when it looks abroad. It only "seeks out countries where returns on groceries are significantly higher than global averages," explains Paul Foley, a former head of Aldi UK. Usually this is because the local market is dominated by a few giants. Britain is one such place. Australia is another: Aldi has muscled in on a cosy near-duopoly between the Woolworths and Coles chains. In America, Aldi started out in those states and regions where market conditions were similar. As a family-owned, private company, with no need to appease outside investors, Aldi grows slowly and organically, Mr Foley explains, "to suck the profitability out of the industry in favour of the consumer."

This is not the only way in which its strategy is self-limiting. Aldi is highly protective of its reputation as a squeaky-clean, family-owned business. This has made it uncomfortable about entering countries where corruption is endemic. Much the same can be said of Lidl. It is therefore hard to see the duo plunging into the emerging markets. In November it was reported that Aldi Süd was looking to enter China—but analysts still think this unlikely.

Instead of expanding to more countries, Aldi and Lidl are likely to concentrate on spreading across America and doing even better in places like Britain. There, analysts expect the two together to end up with about 15% of the market, as they already have in Ireland. To do this they are stretching their business model by adding upmarket products—including lobster and claret—to keep the middle-class customers they attracted in the post-2008 downturn.

How might their competitors fight back? Some think that Aldi and Lidl could be vulnerable online. Neither has yet developed an internet-based sales channel, although online grocery sales are increasing. In Britain, for example, rivals like Sainsbury's and Waitrose are investing heavily in digital technology. The mainstream supermarkets are also trying to learn from France, where the incumbents, Leclerc and Carrefour, fought back with big price reductions and by selling more non-food items, recovering some lost market share for a time at least.

Even so, warns Jürgen Elfers, a retail analyst at Commerzbank, Lidl still bounced back to record its largest ever share of the French market (5.2%) in November. Having wisely recognised the geographical limits of their model, the two German deep-discounters are patiently and systematically advancing in their chosen territories, and rivals there are likely to keep losing shoppers to them. ■