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Journal of Retailing and Consumer Services 15 (2008) 78–92

JOURNAL OF RETAILING AND CONSUMER SERVICES

www.elsevier.com/locate/jretconser

Categorizing patterns and processes in retail grocery internationalisation

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Abstract

The last two decades have been characterised by an increasing internationalisation of retail activity and a considerable number of academic attempts to classify or categorise this activity. A number of different classifications have been proposed based mainly on interactions amongst geographical spread, market entry, managerial outlook and managerial flexibility. However, an examination of three leading international grocery chains on such criteria reveals little communality in pattern or process. Instead internationalisation is marked by different, perhaps serendipitous, patterns and by periods of retrenchment and reconsideration of activities, within a generic strategy of front of store adaptation and back of store standardisation. Previous classifications are therefore partial, time-bound semi-descriptions which need to be supplemented by detailed long-term examination of the internationalisation activities and processes of individual companies.

Keywords: Classification; Globalisation; Grocery; Internationalisation; Retail

1. Introduction

In the search for explanation we inevitably simplify. The outcome of complex processes are codified and categorised into classifications and typologies as we seek order and explanation. Despite arguments that retailing has particular characteristics that distinguish it from many other industrial sectors, there is a tendency to draw upon established concepts and frameworks derived in other circumstances to provide convenient labels and typologies which simplify our descriptions of a complex retail phenomenon.

The growing focus on retailing as a process rather than an activity, and upon the organisation and management of value chain activities as a framework for understanding retail internationalisation is no different. At a macro level, the value chain approach emphasises differences in retail contexts which influence how activities and behaviours are shaped throughout the value chain. In the search for order and simplification we may, however, ignore significant variations in behaviour and outcomes. This paper seeks to explore the extent to which a common strategy for internationalisation can be found within the context of one retail value chain.

We start by exploring the broad themes of geographical expansion and operational process, which are found within existing attempts to categorise retail internationalisation. These themes are then considered within the retail grocery sector through the cases of three European-based grocery retailers, who would appear to be the most international or "global" in terms of the scope of their activities. Finally, from the experiences of these three companies we assess whether our current categorisations and understanding of patterns and processes of retail grocery internationalisation are adequate.

2. Patterns and processes in retail internationalisation

There have been numerous attempts to classify retail internationalisation. The terminology used is, however, inconsistent and at times contradictory (Helferich et al., 1997). Despite this, within the various frameworks proposed over the last two decades of research, two themes consistently emerge. First, the geographical spread of

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0969-6989/$ - see front matter
doi:10.1016/j.jretconser.2007.05.008

markets, related to the number of countries entered and the concepts of geographical and cultural distance. Secondly, the degree of responsiveness or adaptation to local market conditions, whether at the level of the firm, format or brand. These considerations have structured much of the study of retail internationalisation and attempts to codify patterns and processes.

2.1. Geographical spread: direction and sequence

The geographical dimension of retail internationalisation is a common theme in the academic literature, typified by studies measuring who went where, when, and how. Studies have charted specific geographical flows (e.g. Kacker, 1985; Hamill and Crosbie, 1990; Muniz-Martinez, 1998), or the activities of individual companies (e.g. Laulajainen 1991a, b; Wrigley 1997a, b, 2000). Geographical spread is typically measured by the number of markets in which a retailer operates. Attempts to explain these geographical patterns have led to explorations of related issues such as: the motives for internationalisation (e.g. Williams, 1991; Alexander, 1990, 1995; Quinn 1999; Vida 2000); the role and choice of entry mechanism (Burt, 1991, 1995; Quinn 1998; Doherty 2000); and most recently patterns and explanations for divestment (Alexander and Quinn, 2002; Burt et al., 2003, 2004; Alexander et al., 2005).

Research into the patterns of retail internationalisation has suggested that companies move first into geographically or culturally close markets. As familiarity with international markets and the operational issues involved increases over time, they then move further afield into more culturally, often geographically, distant markets. This spreading pattern, based on the concept of psychic distance, mirrors the stages approach to internationalisation in the international and export marketing literature.

In a retail context, Treadgold (1990) proposed a three stage model of expansion in geographical presence over time. Retailers passed through stages of *reluctance*, *caution* and *ambition*, as they became more pro-active in their response to international market opportunities and experience curve effects influenced managerial perceptions of risk. A link to the Uppsala school is also explicit in the work of Vida and Fairhurst (1998), who suggest that the decision to enter a market will be determined by a company's capacities (firm characteristics) and management perceptions (decision maker characteristics). As experience grows, retailers overcome these inhibitors and become more ambitious in their strategic outlook.

Although intuitively appealing, the concept of psychic distance is loosely defined and often lacks empirical support. Evans and Mavondo (2002) differentiate between distance and uncertainty, and suggest evidence of a psychic distance paradox, whereby performance is enhanced in more "distant" countries. This builds on the observations of O'Grady and Lane (1996, 1997) who found that in the case of Canadian retailers operating in the USA, cultural "closeness" did not guarantee success. Despite this evidence base the concept of staged expansion related to cultural proximity is still widely advocated.

2.2. Market entry: managing risk and control

Broad strategic issues such as entry method, with its implications for cost and control, have also been integrated into existing frameworks. The choice of entry method is viewed as one way of minimising risk and overcoming perceptions of cultural distance. Treadgold (1988) used geographical presence (defined as concentrated, dispersed, multinational and global), and entry and operating strategy (represented by levels of cost and control), to identify four types of international retailer: the *cautious internationalists*, who use high-cost entry mechanisms (internal growth or acquisition) to expand in one or two markets; the *emboldened internationalists*, also with high-cost entry mechanisms but operating in a wider spread of markets; the *aggressive internationalists*, who have high-cost entry methods over a very wide spread of markets; and the *world powers*, characterised by low-cost entry mechanisms (franchising) and a large international presence.

In their study of the European retail grocery sector, Gielens and Dekimpe (2001) consider the impact of five entry decision dimensions on performance. They suggest that higher performance and efficiencies arise from early entry, with substantial scale, without partners or acquired assets, offering a format new to the market but familiar to the company. This study again emphasises the significance of strategic business decisions and managerial approaches in what can often be seen as simply a process of market led geographical dispersion.

2.3. Managerial outlook: corporate culture and management approach

Other typologies combine geographical spread with managerial outlook, and in particular the cultural orientation of the business. For example, Helferich et al. (1997) use four criteria: geographical spread; a cultural dimension, encompassing both presence in different cultural zones (as opposed to number of markets) and cultural business orientation (ethnocentric, polycentric, mixed and geocentric); a marketing perspective, seen as the degree of standardisation or local market adaptation; and a management perspective, defined as the locus of operational control. On this basis they distinguish between *international* retailers, beginners or slow developers whose aspirations are limited to one or two culturally similar neighbouring markets; *global* retailers, fast developers or inimitable niche retailers who have expanded beyond their own cultural zone and/or continent; *transnational* retailers, viewed as accumulators of experience who develop at a more steady pace with an emphasis on decentralisation or customisation; and *multinational* retailers who are portfolio