

A Market Assessment of the Internationalisation of UK Grocery Retailers

Abisoye Oyewale Kareem
Breyer State University, London Centre, UK

Abstract

The last few years have witness unprecedented boarder crossing in the retail business especially in the retail trade with particular reference to grocery business since the establishment of single European market in 1992 (SEM). The rationale behind this research is to review the strategy being used by the grocery retailers who have managed to expand the scope of their operations beyond their national territories and still maintain their stand both at home and abroad despite the local competitions and perhaps in an, unhealthy and unfamiliar environment abroad. Based on this, the researcher adopts an interview and observation method of collecting data. Fifty respondents were interviewed and quantitatively analyzed from ten notable grocers in London. The findings deduced that, it is the quest for expansion on the part of the top management levels, good knowledge of the foreign cultures, homogeneity with viable or enabling environmental factors and suitable consumer market on both home and abroad that are the key success factor in the internationalization of grocery retailing.

Key Words

Grocery Retailing, internationalization, culture, shopping, consumer market and homogeneity

Introduction

Today's economic environment is different. Overcapacity and intense competitions are the norm in most global business (Bartlett and Ghoshal, 2000). Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use (Kotler and Keller, 2006:504). Retailers normally perform two essential functions. One, satisfaction of consumer needs and wants; the other is the provision of outlets for production (Omar, 1999: 1). Food retailing is a very exciting and dynamic industry with excellent career prospects for those who are prepared to work hard in this fast moving consumer (fmcg) environment (Edwards, 1999).

Grocery market has attracted the likes of notable names like;, Tesco owned by Britain, Carrefour owned by France, Lidl, Aldi and Netto are owned by Germany. All these are made possible with the help of modern technology as the companies provide various services that meet the needs of the house hold in their varied locations ranging from edible things to toiletries down to everything sellable in the conventional markets.

Having met the needs of the customers in their host countries, they leap- frog or board-crawling to another country.

Research aims and objective

Supermarket (grocery) offers products and services to satisfy the needs and wants of consumers (Datta et al., 2006). This is important as many authors hold varied views on the process. It is of importance to investigate why some grocers are opting to establish their branches and brands in another country as this will enable both the shoppers and the grocers have a continuous long lasting customer/customers patronage and invariably boosts their income, it will also help the government in income generating and finally helps to understand when and how to begin the process of internationalization by the grocers.

Literature Review

Historically, the era of cold war has given way to diplomatic ties and allies within and outside the EU and this has been fostered by the establishment of the single European Market (SME) in 1992. Presently, the total grocery worth stands at £128.2 billion representing 12.7% of all house hold spending, making it the third area of expenditure. Food and Grocery expenditure account for 49p in every £1 of retail spending and 2p in every food and grocery is spent in convenience store www.igd.com. Department stores got a new lease of life in the middle 1970s when many cities initiated urban regeneration projects to attract shoppers to city centre areas (see Omar, 1999:11). And this helped a lot in bringing more demand for modern day grocery markets because, the former creates influx of people to its location that, the latter exploits. Corporate strategy is not concerned simply with quantifiable target setting, it also concerned with the organization's relative position in the market compared with competition (Brassington and Pettitt, 2006). This has led a considerable increase in the number of supermarkets in the cities. A firm's international expansion depends on its experimental knowledge of foreign markets (Mellahi; George and Finlay, 2005). Succinctly put, a good retailer must be able to operate outside its country to enable it have the international competitive advantage across the boarder and satisfy the needs of the foreign customers who might have tasted, enjoyed or heard about the product. Also, Operating in different countries give good promotional status to some international brands because, international market is seen as an extension of domestic market. The markets appetite for experiment in food retailing is insatiable (Seth and Randall, 2001). This obviously compares the pace of food retailing with other retailing business world wide.

Internationalization

The internationalization implies the transfer, whether it be of accompany, concept, or management function, across state boarders with nations being perceived as relatively homogenous (Meyers 1995). The creation of the SEM proved to be a catalyst for both

practitioners and academics alike to assess the impact it may have on the rate of internationalization, it is perhaps most commonly perceived that the SEM may be accelerating retail cross-boarder expansion within EU, it is not necessarily a prerequisite or directly causal (Alexander, 1968, Burt, 1989; Hallsworth, 1992; Meyer, 1995). Actually most of the European countries have similarity and dissimilarity with much similarity in terms of socio- cultural and geographical locations, these quicken the process of internationalization which makes way for easy cross boarder and integration. While (Salmon and Tordjman, 1989) place much emphacy on its impact but (Treadgold, 1990a:11) expresses a general view that “The 1992 programme is facilitating the emergence of supranational retail business in Europe but is not, at least should not be, driving the process. Another school of thought is Omar (1990) which propounded the push and pull factors as the major causal of internationalization.

General Entry

Internationalization of retail (Omar, 1999) opines that a first consideration in the internationalization of retailers must be their motivation for developing outside their countries’ having satisfied or met the home countries needs. This must be supported by a suitable consumer market. This shows that it is the quest for expansion that leads to internationalization. Similarly, Hill (2003) observed that “establishing joint venture and wholly owned subsidiaries in other countries are both” (FDI) that is foreign direct investment. He further listed the barriers to entry as a process of transportation; trade barriers as in law; political risk; culture; cost and firm strategy; and technology.

However, Hollander (1970) suggested that, if all other consideration is favourable, the absence of a suitable consumer market would negate any possibility of a retailer entering a particular market. Part of these barriers can be met with a suitable consumer market the process becomes easier.

Approach to internationalization of retailing

Treadgold, (1988b) cited in Omar, (1999) saying that there is no single path to developing an international presence in retailing but, he suggested the following approaches including; concentrated internationalization, dispersed internationalization, multinational organization, global, and international traders. Hill (2003) suggested three main factors as entry decision including (i) which market to enter? (ii) when to enter the market? and (iii) on what scale? A conscientious look at the which market to enter shows that, for an organisaton to succeed in an international environment, it needs to consider the area of the operation to join, for example, is the company going to join the food industry of the country in discussion as Tesco migrated to French grocery industry.

When to enter a new market is another fundamental issue to be considered for a retailer, especially grocery retailer who is moving into an international environment. It

needs to analyse the market structure as in, is he coming in when the market is at the introductory stage, if so, it needs huge sums of money called pioneering cost because, costs are high to develop a new product and the sales will be low and if it joins when the market is already saturated, it will need to spend a lot of money on promotion in order to have edge over the competitors. For example, Asda developed in Britain with price deflation strategy. It may not necessarily need much advertisement because, of its known brand name but, it will need to attract new customers by the use of "Buy any one and take two market strategy" this method helps a lot is selling perishable items and warm a new entrant into the new market.

This brings in the type of strategies as in, is it via exporting, licensing, franchising to the host countries, establishing joint ventures or setting up a new wholly owned subsidiary or through acquiring an established company in the host countries as we have in some (MA) merger and acquisition. For example, Wal-Mart named ASDA in the UK used the host company name in order to grab the market within short period of its entrance. This strategic move is supported by Hill (2003) that "Acquisition makes a company attain its goal quickly than establishing a new one" now Asda is doing well. Also, Morrisons acquired moribund Safeway supper market to increase its market share though this was not easily possible until recently.

McGoldrick and Davies (1995) cited in Omar (1999) identified some factors and divided them into Pull factor and Push Factor for the domestic retailers. All these combined together form parts of the five raised issue to determine the fact behind process. All these moves are towards attaining global brands, "global customers," with almost exactly the same "tastes globally" (Williams, 1992).

PUSH & PULL FACTORS ATTRACTING DOMESTIC RETAILERS TO THE OVERSEAS MARKETS.

PUSH FACTORS

- Saturation of overseas retail markets.
- Congestion of stores
- High level of competition
- Strict planning regulation.

Entry of overseas retailers into the domestic market.

PULL FACTOR

- Low value of national currency.
- Ease of acquiring domestic firms.
- Similarity in socio-cultural background of the firms.
- Similar retailing practices.
- Low barriers to entry.

Adapted from (Omar 1999) Retail Marketing

Research Methodology

The literature review has raised some kinds of debate on the right or the necessary approach that retailers should adopt while planning to move to international market, this is what the researcher has tried to investigate from the retailers (grocers) and shoppers. Varied authors had different views and opinions about the process of internationalization. So, the research was conducted purely in retail shopping environment using both the interview and questionnaire method with a simple percentage to analyses the data collected. Respondents were presented with five variables to determine whether they have impact in the process of internationalization. They are the quest for expansion; suitable consumer market; good knowledge of foreign culture; establishment of European Union (EU); and boarder sharing.

Sampling approach

Five managers, five assistant managers and six supervisors with four shoppers were orally interviewed for pre test which served as a basis for the questionnaire. This research was carried out in ten grocery shops namely; Tesco, Aldi, Lidl and Sainsbury's, co-op, Iceland, mark and Spencer, Morrisons, Netto and waitrose. The researcher sampled two managers, one supervisor and two adult shoppers making it (5) respondents per shop in

all the ten shops which gives (50) respondents of male and female adults in all. It takes two weeks to access all the respondents because; of Christmas shopping has begun in some of the supermarkets.

Data analysis and result

The five questions were sub-divided into two as follows; the first three and the last two

- The quest for expansion.
- Suitable consumer market.
- Good knowledge of foreign culture.

These draw greater response of 66% making it 33 out of 50 questionnaires.

- Establishment of Single European Market (SEM) and
- Boarder sharing draws 42% making it 21 out of 50 questionnaires while 2% are undecided making it 1 out of 50.

In all, the result shows that 48 respondents answered yes while 2 answered 'no'. These indicate 96% of the over all response supported while the remaining 4% of the response responded negatively. This indicates that most of the raised issues are all crucial to the process of retail grocery internationalization.

Conclusion

The findings revealed that the quest for expansion, suitable consumer market, good knowledge of foreign culture and similar retailing practice are motive and success factor behind internationalization. It can be concluded that, internationalization is a long term process which must have been conscientiously embedded in the organization's goal and mission statement right from the organization's inception. Also, it is one of the strategic moves of the modern day companies that want to become globalise in order to acquire and establish their brands internationally and globally. So retailers should be more pro active to these major issues.

References

- Alexander, N., (1988) "Marketing the UK's Retail Revolution Post 1992" *The Quarterly Review of Marketing*, autumn. pp. 1-5.
- Andrew, S. and Geoffrey, R. (2001) "The Rise and Rise of the Supermarket Chains" Kogan Page, London
- Baker, M. and Hart S. (1988) *Product Strategy and Management*, London Prentice Hall, Financial Times
- Bartlett, C.A. and Ghoshal, S. (2000) "Changing the Role of Top Management beyond Strategy to Purpose", *Journal of Harvard Business Review*, 1994.

- Brassington, F. and Pettitt, S. (2006) *Principle of Marketing*; fourth edition, Pearson Education Limited. Edinburgh Gate, Harlow Essex CM20 2JE
- Burt, S., (1989) "Trends in Management Issues in European Retailing", *International Journal of Retailing*, Vol.4 No. 4 pp. 1-97
- Datta, P.R., Akwensivie, M.D. and Akwensivie, G. (2006) *Store Design: "The effect of Iceland's Refit Strategy on Food Consumers"* *The journal of Business and Retail Management Research*. Vol. 1 issue 1 October, 2006.
- Edwards, L (1999) *Retailing; The industrial Society*, Robert Hyde House 48, Bryanston -Square, London. WIH 7LN.
- Hollander, S., (1970) *Multinational Retailing*, East Lansing, MI: Michigan State University.
- Hallsworth, A.G.,(1992) "Retail internationalisation: Contingency and Context?" *European Journal of Marketing*, Vol. 26 No. 8/9, pp. 25-34.
- Hill, C. W.L (2003) *International Business* McGraw-Hill Irwin
- Kotler, P. and Keller, K. L (2006) *Marketing Management* twelfth edition. Pearson Education
- Mayers, H., (1995) *The Changing process of internationalisation in the European Union"* *The service Industry Journal* Vol. 15, Oct. Pp 42 No 4
- McGoldrick, P and Davies (1995) *International Retailing Trends and Strategies*. London Financial Times Liftman publishing.
- Mellahi, k. Frynas, G. J and Finlay, P. (2005) *Global Strategic Management*; Oxford University Press. Great Clarendon, Oxford OX2 6DP
- Omar, O. (1999) *Retail Marketing*, Pearson Education, London.
- Treadgold, A. (1988) *Retailing without frontiers*; *Retailing and Distribution Management* 10 (6).8-12
- Salmon, W.J. and Tordjman, A. (1989) *The internationalization of Retailing*, *International Journal of Retail and Distribution Management*, Vol. 18. No. 5 pp. 3-14.
- Tread gold, A. (1990a) *The Emerging Internationalisation of Retailing: Present Status and Future Challenges*, *Irish Marketing Review*, Vol. 5 No. 2, pp.11-27.
- Williams, D. (1992) "Motives for retailer international: their impact, structure, and implication", *Journal of Marketing Management*, 8: 269-85.
- WWW. IGD .com "What is the UK grocery market?" Retrieved 01-09-2007.