The internationalisation/globalisation of retailing: towards a geographical research agenda?

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> ‘The literature which documents and debates globalization and the transformation of the world economy has, in practice, shown a myopic neglect of distribution systems and industries. In particular, the lack of consideration and insight into the increasingly global nature of retail distribution is profound’ (Wrigley, 2000a: 294).

Introduction.

This paper represents an initial response to Wrigley’s call for more consideration of the globalisation of retailing. While services in general still remain curiously under-researched in the globalisation literature (Coe, 2003), this neglect is particularly puzzling with respect to retailing given the dramatic events of the last decade. This has seen a small group of elite food retailers expand their overseas operations dramatically through sustained merger and acquisition activity, enabling them to assume dominant market positions in many countries across Southeast Asia, Central Europe and Latin America. At the same time, these leading retailers have been expanding the geographical scope of their sourcing operations, putting in place global buying networks to source a variety of goods for both home and overseas markets. That much is known. But beyond these basic facts, there are many important areas for future research. These topics are of great significance not only for these elite retailers and their employees, shareholders and competitors, but also for literally millions of consumers that are seeing their traditional modes of shopping change beyond recognition, for firms and workers involved in tens of thousands of reconfigured supply chains, and for the states and institutions striving to manage these rapid transformations.

The problem is not that there is no literature considering the internationalisation of retailing. Since the mid-1980s, a steadily growing body of work has emerged in the management/business studies tradition considering the overseas expansion of retailers (e.g. McGoldrick and Davies, 1995; Akehurst and Alexander, 1996; Alexander, 1997; Sternquist, 1998). However, while this literature has undoubtedly provided a range of useful insights into the internationalisation process, it also exhibits some important limitations. These can be seen on two levels. First, in terms of the topics covered by the literature, there are a number of significant gaps, the key ones of which are highlighted later in the paper. In general, this firm-centric literature has been somewhat pre-occupied with the motives and mechanisms of internationalisation. This paper will argue that more dynamic interpretations of retail transnationals are needed, that recognise both spatial and temporal fluctuations in the nature of internationalisation dynamics, within and between firms. Second, in terms of the theoretical influences, the retail internationalisation literature is arguably too self-contained and inward looking, seemingly relatively detached from large portions of the literatures on economic globalisation and processes of transnational production that emerged across the social sciences in the 1990s. Some authors, such as Alexander and Myers (2000: 338) have defended this stance, arguing that these broader concepts may be 'inappropriately imported and the contribution of valuable retail specific research ignored'. This paper takes the opposite position, and argues that the gap between the retail studies and the globalisation literatures needs to be bridged if cogent analyses of contemporary trends are to be produced.

Hence, the conceptual approach preferred here is that of the Global Production Network (GPN) (for a full explication, see Henderson *et al*., 2002). Drawing upon elements of cognate approaches including Global Commodity Chain analysis (GCC), value chain analysis, and actor network theory (ANT), a GPN framework emphasises:

- the complex non-linear *networks* of firms involved in the R&D, design, production, marketing and retailing of product, and how these are structured both organisationally, and geographically – at a variety of spatial scales;
- the distribution of *power* within those networks, and changes therein;
- the significance of the processes *of value creation, enhancement and capture* within those networks;
- the *embeddedness* of production networks – namely, how they constitute and are re-constituted by the economic, social and political arrangements of the places they inhabit;
- the influence of a range of institutions – e.g. supranational organisations, government agencies, trade unions, employer associations, NGOs, and consumer groups – that shape firm activities in the particular locations absorbed into the GPNs;
- the implications of all of the above for socio-economic development for within the various localities and societies connected by GPNs.

In short, this is an approach which focuses on the organisationally and geographically complex webs of intra, inter and extra-firm networks that characterise contemporary production systems, and uses the analytical categories of power, value and embeddedness to explore the developmental impacts for firms and places enrolled into these various GPNs. The emphasis on complexity, political-economic context, and developmental outcomes stands in marked contrast to much of the existing work on retail internationalisation.

This paper is structured into two main parts. The first both profiles the current extent of retail internationalisation, and explores the extent to which the existing literature elucidates contemporary dynamics. Some important limitations are revealed. The second offers six areas for much needed research that are revealed by adopting a GPN approach, and offers suggestions as to how such work might proceed.

Part 1: a review

Akehurst and Alexander (1996) concluded their edited collection on ‘The Internationalisation of Retailing’ by suggesting a research agenda based around six basic questions. These will be used to structure an initial review of the current extent of the international aspects of retailing, and the literature that seeks to understand it.

What is the internationalisation of retailing?

Somewhat surprisingly perhaps, there is still disagreement in the literature as to what actually constitutes the internationalisation, or indeed globalisation – on which more shortly – of retailing. Definitional ambiguity of this kind presents a considerable barrier to effective analysis. In particular, there is a tendency in some quarters to equate the internationalisation of retailing with the establishment of overseas retail establishments. Sternquist (1997: 263), for example, advocates that the term should just be applied to cases where the ‘retailer purposely considers internationalization options as part of an overall market expansion strategy’. Others propose a single all-encompassing definition of internationalisation that makes it hard to disaggregate the different constituent elements. Alexander (1997: 37) writes, for example, that the internationalization of retailing is ‘the transfer of retail management technology or the establishment of international trading relationships, which bring to a retail organisation a level of international integration which establishes the retailer within the international environment’. However, as many authors including Dawson (1993; 1994), Davies (1995) and McGoldrick (1995) have demonstrated, there are in reality multiple facets to retail internationalisation. For Sternquist, consideration of this breadth is an analytical weakness. However, it shall be argued in this paper that it is a necessity for the effective representation of contemporary processes.

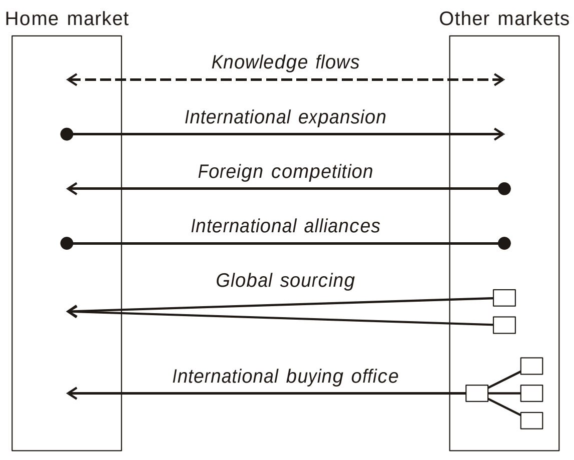

Figure 1: Facets of retail internationalisation

Source: adapted from McGoldrick, 1995, Figure 1.1.

Following Dawson (1993) and McGoldrick (1995), we can delimit three key facets of retail internationalisation (Figure 1) (*mechanisms* of retail internationalisation will be considered in a subsequent section). Firstly, the operation of overseas retail outlets is clearly a key dynamic. As we shall see shortly, the growth rates and overall scale of such operations are currently increasing dramatically. As Figure 1 intimates, the flip side of overseas expansion is the potential for increased competition in the home market from foreign operators. Secondly, the international sourcing (often termed 'global sourcing') of products is another important aspect of international expansion. While international sourcing is far from new, big retail chains have vastly increased the geographical scale of their sourcing systems over the last two decades (although the actual extent varies considerably depending on the type of product). This reflects their increased capitalisation and buying power, improvements in distribution and logistics systems, and lower barriers to trade for many commodities. Thirdly, there are considerable transfers of management expertise between different domestic retail systems, through international searches for new ideas and technologies. Potentially, a wide range of types of expertise may be transferred, including store formats, design concepts (e.g. displays, internal layouts), management tools (e.g. productivity measures), retail technologies (e.g. Electronic Point Of Sale (EPOS) systems) and customer service initiatives (e.g. frequent shopper programmes). However, these three areas still may not cover all different aspects of retail internationalisation. Three other areas that are becoming increasingly important – and on which there is relatively little research – are the international investment patterns of financial institutions that invest in retailing, growing levels of cross-border shopping and consumption, and the internationalisation of support functions by retail TNC's. An example of this last dynamic was Tesco's announcement in July 2003 that it intended to shift 350 IT and finance jobs to a new business support centre in Bangalore, India, a city where the retailer already had a buying team stationed (*The Guardian*, 18 July 2003). We shall return to the need for a holistic, integrated view of retail internationalisation in the second part of the paper.

Who is internationalising?

This is a rather more straightforward question to answer. Traditionally, due to its sensitivity to local consumer markets, retailing has been a resolutely domestically oriented activity in overall terms. However, Wrigley (2000a) has charted the emergence in the late 1990s of an elite group of firms – mainly food retailers and/or general merchandisers – with considerable, and rapidly growing, international sales. As Dicken (2003) describes, a clear indication of the rapid growth of these retail transnational corporations (TNCs) is that in 1993 there were no retailers in the top 100 TNCs, while by 1999 there were four, namely Royal Ahold (The Netherlands), Metro (Germany), Carrefour (France) and Wal-Mart (USA). The leading retail TNCs cannot simply be equated with the world's largest retailers, however. Tables 1 and 2 show the world's biggest retailers in 2001, ranked by sales and stock market capitalisation, respectively. Table 1 reveals that 10 of the top fifteen retailers in the world are headquartered in the USA. However, of these, only Wal-Mart has extensive overseas operations: four of the American retailers derive their revenues solely from their home market, and a further two from just the USA and Canada. Although stock market capitalisation is a more volatile measure by its very nature, the data in Table 2 again reveals the significance of the large US domestic market, with seven American retailers featuring.

Table 1: Top 15 retailers in the world, by 2001 sales

Rank	Name of company	Country of origin	Key formats	2001 sales (US$m)
1	Wal-Mart	US	Discount, hypermarket, supermarket, superstore, warehouse	217,799
2	Carrefour	France	Cash & Carry, convenience, discount, hypermarket, supermarket	61,565
3	Ahold	Netherlands	Cash & Carry, convenience, discount, drug, specialty, hypermarket, supermarket	57,976
4	Home Depot	US	DIY, specialty	53,553
5	Kroger	US	Convenience, discount, specialty, supermarket, warehouse	50,098
6	Metro	Germany	Cash & Carry, department, DIY, hypermarket, specialty, superstore	43,357
7	Target	US	Department, discount	39,455
8	Albertson's	US	Drug, supermarket, warehouse	37,931
9	Kmart	US	Discount, superstore	36,151
10	Sears	US	Department, mail order, specialty	35,843
11	Safeway	US	Supermarket	34,301
12	Costco	US	Warehouse	34,137
13	Tesco	UK	Convenience, department, hypermarket, supermarket, superstore	33,614
14	J C Penney	US	Department, drug, mail order	32,004
15	Aldi Einkauf	Germany	Discount	31,310

Source: Stores/Deloitte Touche Tohmatsu, January 2003

It is more revealing, however, to look at the leading retail TNC's in terms of their overall overseas sales, as illustrated in Table 3. Although this information dates from 1999 (the proportion of overseas sales data is harder to come by than that on overall sales), a number of observations can still be made from this data. First, it gives some sense of the *scale* of international retail operations, with eight retailers deriving over $10bn of sales each from foreign markets in 1999, figures that will have in most cases increased substantially since that time. Second, it gives a sense of the *scope* of international retailing, with many of the leading players having operations in 20-30 countries, a degree of internationalisation comparable with many manufacturing sectors. Third, it reveals that the leading retail transnationals – with the important exception of the world's largest retailer by far, Wal-

Mart – are European, or more accurately, British, French, German and Belgian. Fourth, it shows that the leading transnational retailers tend to be food retailers or general merchandisers, rather than specialty providers. Rapid growth since the late 1990's has seen the emergence at the top of this list of a select group of what Currah and Wrigley (2004) term 'proto-global' retail TNC's firmly committed to international expansion: in particular Wal-Mart, Ahold, Carrefour and a new and significant addition to the list in Table 3, Tesco. This is in line with the views of retail managers and analysts that the next five years will see the emergence of four to six global retail mega-groupings (Wrigley and Lowe, 2002). A final point to bear in mind at this stage is that most retailers still rely to a high degree on home revenues. Of the retailers listed in Table 3, only four – IKEA, Delhaize, Ahold and Otto Versand – were deriving over 50 percent of their sales from overseas markers. In terms of the four proto-global TNC's mentioned above, in 2001 the proportion of home market revenues were as follows: Tesco 85 percent, Wal-Mart 84, Carrefour 56 and Ahold 29. In part, these figures reflect the relatively recent entry of Wal-Mart and Tesco into international markets: in 1990 neither had overseas operations, in contrast to Carrefour and Ahold who had already commenced their international expansion by that time. What is more important here, however, is the current *rate* of growth of these overseas sales, a point to which we shall return shortly.

Table 2: Top 10 retailers in the world, by market capitalization, June 2001

Rank	Name of company	Country of origin	Key formats	Market cap. US$bn
1	Wal-Mart	US	Discount, hypermarket, supermarket, superstore, warehouse	230.2
2	Home Depot	US	DIY, specialty	118.4
3	Walgreen	US	Drug	41.8
4	Carrefour	France	Cash & Carry, convenience, discount, hypermarket, supermarket	38.3
5	Target	US	Department, discount	34.2
6	Lowe's	US	DIY	28.0
7	Gap	US	Specialty	27.7
8	Safeway	US	Supermarket	26.6
9	Ahold	Netherlands	Cash & Carry, convenience, discount, drug, specialty, hypermarket, supermarket	26.3
10	Tesco	UK	Convenience, department, hypermarket, supermarket, superstore	25.0

Source: Wrigley and Lowe, 2002, Table 8.5.

Table 3: Leading transnational retailers, by overseas sales, 1999

Rank	Name of company	Country of origin	Key formats	1999 overseas sales (US$m)	No. of countries of operation (2002)
1	Ahold	Netherlands	Cash & Carry, convenience, discount, drug, specialty, hypermarket, supermarket	23,854	27
2	Wal-Mart	US	Discount, hypermarket, supermarket, superstore, warehouse	22,731	10
3	Carrefour	France	Cash & Carry, convenience, discount, hypermarket, supermarket	19,678	32
4	Metro	Germany	Cash & Carry, department, DIY, hypermarket, specialty, superstore	17,665	28
5	Delhaize	Belgium	Cash & Carry, convenience, drug, specialty, supermarket, warehouse	14,807	11
6	Intermarche	France	Cash & Carry, convenience, discount, DIY, food service, specialty, supermarket, superstore	13,234	8
7	Tengelmann	Germany	Cash & Carry, discount, DIY, drug, hypermarket, specialty, supermarket, superstore	12,698	16
8	Otto Versand	Germany	Mail order, specialty	10,286	24
9	Ito Yokado	Japan	Convenience, department, discount, food service, hypermarket, specialty, supermarket, superstore	9,011	13
10	Aldi	Germany	Discount	8,485	12
11	IKEA	Sweden	Specialty	8,049	33
12	Kingfisher	UK	Department, drug, DIY, specialty	7,184	17
13	Rewe	Germany	Cash & Carry, discount, DIY, drug, hypermarket, specialty, supermarket, superstore	6,022	11
14	Costco	US	Warehouse	4,964	8
15	Pinault	France	Department, mail order, specialty	4,785	16

Source: Author's calculations from http://www.siamfuture.com, 'The World's Top 100 Retailers'; Stores/Deloitte Touche Tohmatsu, January 2003.

Where and when does internationalisation occur?

In this section, we will tackle two of Akehurst and Alexander's key questions simultaneously, as they are impossible to disentangle. Figures 2-5 provide starting points for this analysis, depicting the store distributions of the four leading transnational retailers identified above in 2001/2002, as well as the geographic distribution of their revenues at that time. Bearing in mind the argument made earlier about the need for a broad approach to internationalisation, it is not entirely satisfactory to base our analysis here purely on the distribution of overseas stores. However, data on international sourcing operations is far harder to come by, as it both less researched, and more closely guarded by the retailers themselves.

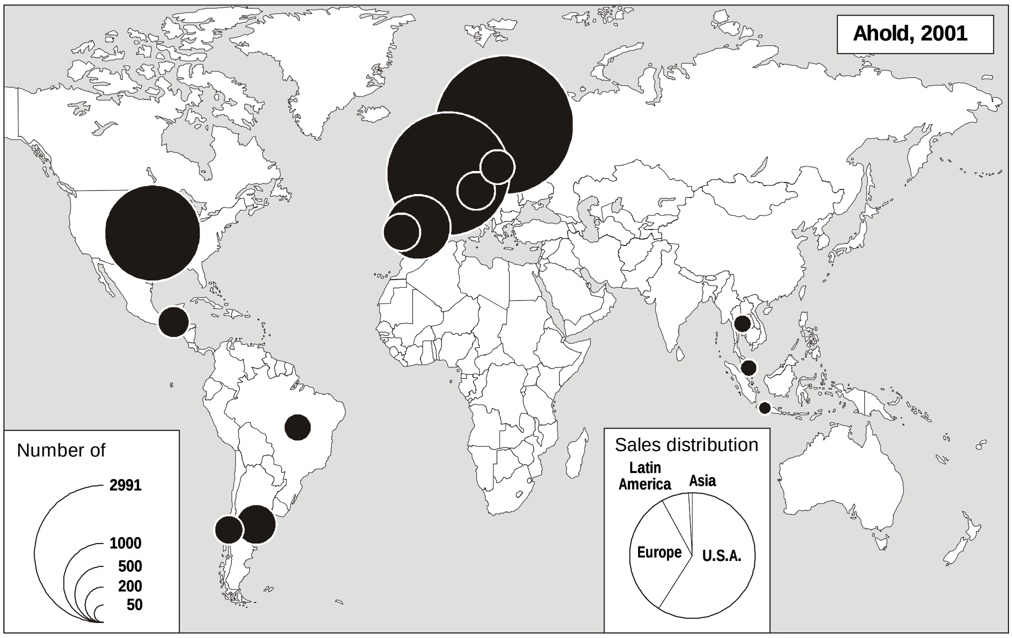

Figure 2: The global distribution of Ahold stores, 2001.

Source: Annual Report

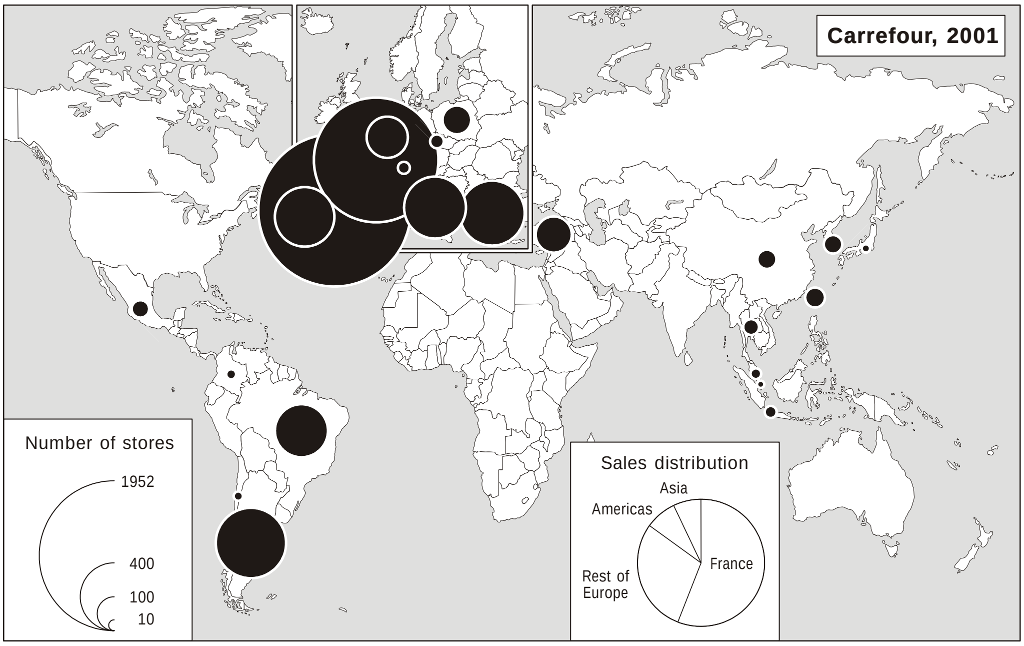

Figure 3: The global distribution of Carrefour stores, 2001.

Source: Annual Report

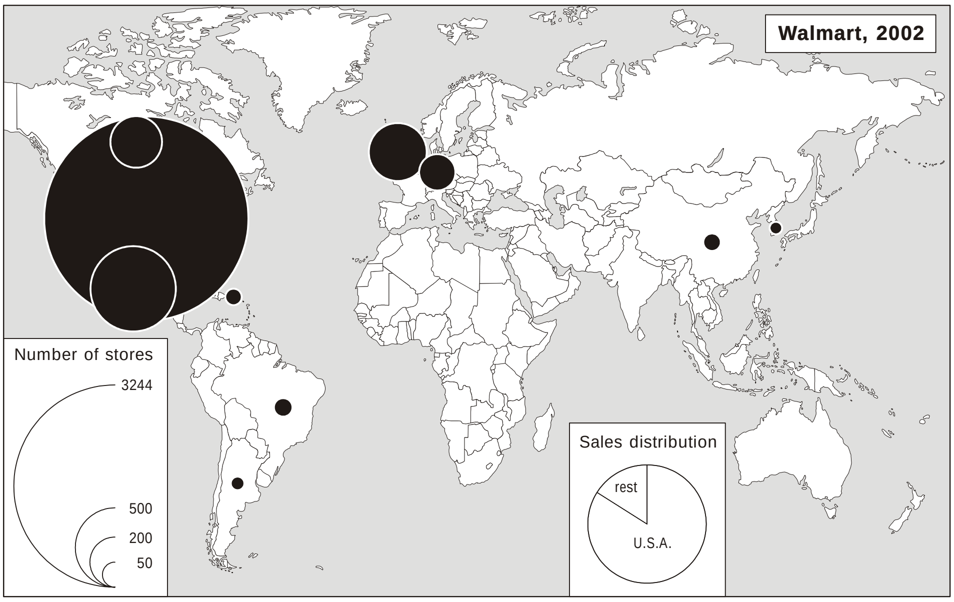

Figure 4: The global distribution of Wal-Mart stores, 2002.

Source: Annual Report

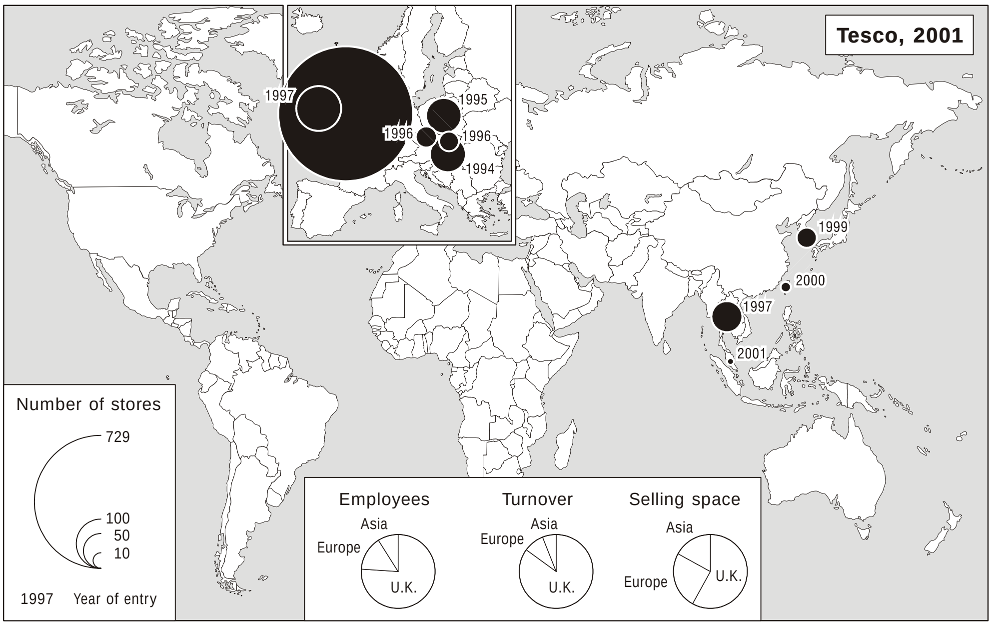

Figure 5: The global distribution of Tesco stores, 2001.

Source: Annual Report

Ahold (Figure 2) has a store network that encompasses operations in Western and Eastern Europe, North, Central and South America, and Southeast Asia. Carrefour's operations similarly span Europe, the Americas, East and Southeast Asia, in addition to a sprinkling of stores in the Middle East and Africa (Figure 3). Wal-Mart has stores in the Americas, Western Europe and East Asia (Figure 4), and Tesco (Figure 5) has stores in four markets in both Eastern Europe and East Asia in addition to the UK and Ireland. What these snapshots show, most importantly, is that international retail investment by these leading firms is not just occurring within and between the 'core' regions of North America, Western Europe and Japan, but is also encompassing a wide variety of countries in so-called 'emerging' regions, namely Latin and Central America, East Asia and Eastern Europe. Moving below this top strata of retailers, other leading retail TNCs – including Metro, Auchun, Casino, Costco, Delhaize, Kingfisher, Makro and Metro – are also expanding their operations into Eastern Europe and East Asia in particular. Leading Asian retailers such as Aeon, Dairy Farm and Seiyu are also extending their operations across the Asia-Pacific.

We can be more specific about this geographic pattern of growth, however. Investment is not just pouring into these emerging regions evenly, but is targeted at specific national markets. In Latin America, much of the inward investment has been directed to Argentina, Brazil and Chile, in Eastern Europe to Poland, Hungary, the Czech Republic and to a lesser extent Slovakia, and in East Asia to Malaysia, South Korea, Taiwan, Thailand, and increasingly, China. This emerging geography is reiterated by Table 4, which illustrates the top 20 retail markets in terms of the number of foreign grocery retailers present. Ten of the listed countries are accounted for by Western Europe and the US, illustrating patterns of cross investment between the leading economies, much of which dates to the 1970s and 1980s (see below). The remaining ten are largely made up of the Eastern European and East Asian economies identified above, and Brazil. No less than 13 of the world's top 30 grocery retailers had a presence in Poland by 2002. More anecdotal evidence suggests that there is overlap and interaction between this geography of retail outlets and the establishment of international sourcing operations. For example, many of the leading retailers now have buying offices in Hong Kong, to tap the Chinese and Southeast Asian markets for a wide range of non-perishable products.

But over what time period have these corporate geographies evolved, and how do they relate to previous phases of expansion? According to Akehurst and Alexander (1996: 208), 'without understanding the historical processes which have brought about changes in international retailing, there is a considerable danger that conclusions will be time-specific and deeply flawed'. It is certainly true that retail internationalisation is not a new phenomenon and its nature and intensity has varied since its initiation in the late 1800's. Awareness of this historical trajectory is essential if one is to appreciate the magnitude of the step-change in internationalisation that has occurred since the mid-1990's, driven by the small group of elite transnational retailers introduced above.

Table 4: The top 20 most 'internationalised' grocery markets, 2002.

Country	No. of top 30 international food retailers present
France	14
Poland	13
Spain	12
Germany	11
USA	11
Belgium	11
UK	10
Thailand	10
Taiwan	10
China	10
Portugal	10
Czech Republic	10
Denmark	8
The Netherlands	7
Italy	7
South Korea	7
Brazil	7
Hungary	7
Malaysia	7
Slovakia	7

Source: www.planetretail.net

Alexander (1997) has offered the most comprehensive periodisation of retail internationalisation. He proposed six distinct stages:

- Genesis (1880-1945): characterised by the limited expansion of US and European specialty, department and luxury stores across major cities in order to tap expatriate and cosmopolitan markets.
- Emergence 1 (1945-1960): characterised by the transfer of US retail formats and techniques (e.g. the supermarket) into the markets of Western Europe and Japan.
- Emergence 2 (1960-1974): characterised by the overseas investment of major Western European retailers, both in other Western European markets, and in the USA. A sustained period of internationalisation driven by cash-rich European retailers reaching the limits of their national markets at a time when regulatory barriers to international activity were starting to fall.
- Crises (1974-1983): a period of truncated international activity due to the economic shocks of the mid-to-late 1970s.

- Renaissance (1983-1989): characterised by a resurgence of investment activity in Europe and the US by leading Western European retailers, and also significant investments by Japanese retailers in Western Europe and the US.
- Regionalisation (1989-2000): after a period of recession in the early 1990s, a period characterised by 'regionalised' expansion by US and European retailers, shaped in part by the European Single Market and NAFTA, and the opening up of new markets in Eastern Europe and East Asia.

Alexander's conceptualisation is supported by Burt's (1995) detailed analysis of the international activity of UK retailers over the period 1960-1993. His research illustrates how overseas investments started to emerge in the 1960s, reached a peak in the early 1970s (of over 40 market entries a year), tailed off in the mid-to-late 1970's, and the peaked again in the late 1980s (over 60 market entries a year).

Temporal analyses of the kinds offered by Alexander and Burt are invaluable in revealing the historical antecedents of contemporary processes. For example, Alexander's account helps to illustrate why it is not unexpected that most of today's leading transnational retailers originate from Western Europe. However, it becomes apparent from the analysis in preceding sections that Alexander's final period of 'regionalisation' has been superseded and overtaken by the rapid global expansion of a small group of transnational retailers from the mid-to-late 1990s onwards. As we saw above, the initial investment tendencies towards Eastern Europe, East Asia and Latin America identified by Alexander in the early-to-mid 1990s have become *the* key geographical dynamic in this new phase.

Three further characteristics distinguish this latest 'global' phase from those that preceded it. First, the sheer *rapidity* of the international expansion is startling. As one measure, in 1990 Ahold was present in the Netherlands and USA, Carrefour was to be found in five countries outside of France, and Wal-Mart and Tesco were only present in their home market. By 2002, as Figures 2-5 have illustrated, Ahold was present in 28 countries in total, Carrefour in 30, Wal-Mart in eleven, and Tesco in ten. Figure 5, which indicates the year of entry for Tesco's foreign markets, shows that in fact nine markets were entered in just a seven year period from 1994-2001. Second, the *scale* of investment currently being undertaken is unprecedented. While Figures 2-5 give some sense of the number of stores being built or acquired in foreign markets, such static 'snapshots' many not give a real sense of the scale of the phenomenon. The projected expansion data for Tesco shown in Table 5 is pertinent here. In East Asia, for example, it shows how Tesco hopes to leap from having no presence in early 1998 to having 15m square feet of operating space or 28 percent of the global total by 2006/7. Globally, its expansion plans should see its operating space outside the UK rise from 8 to 50 percent of its total over the same period, and concomitant shifts in sales and profits should follow in due course. These processes are creating retail giants with overseas operations of hitherto unseen size.

Table 5: Tesco's international expansion 1997/8 – 2006/7 (estimates)

Operating space (sq ft millions)	1997/8	1999/00	2001/02	2002/03	2006/07 (Est)
UK/Ireland	16.2	18.5	20.5	21.6	26.5
Central Europe	1.4	3.3	6.4	9.2	12.0
East Asia	0	2.3	5.5	7.9	14.7
Total Group	17.7	24.0	32.5	38.7	53.2
Central Europe & E. Asia % of Total Group	8.1	23.0	36.8	44.1	50.2

Source: adapted from Wrigley and Currah, 2003a.

Third, the *impacts* of this expansion on the retail structures of the host countries are unparalleled. In Thailand, for example, Tesco has become the clear market leader since its entry in 1997. According to Wrigley and Currah (2003a), Tesco's investments in Thailand have accounted for some 5.4% of total FDI in the economy since 1998. The degree of market penetration is perhaps most pronounced in the key markets of Eastern Europe, namely Hungary, Poland, the Czech Republic and Slovakia. Table 6 profiles the structure of food retailing in the Czech Republic, and reveals that after less than a decade of inward investment, the top ten grocery providers – which account for about 40 percent of the total market – are all foreign, or more specifically Western European, owned. Another indicator of the scale and pace of change in these economies is the fact that while in 1997 hypermarkets accounted for just one percent of food sales, by 2001 this figure had risen to 23 percent of the total. As will be discussed in the second half of this paper, there is a whole research agenda that needs to be developed surrounding these impacts. Next, however, we need to move the emphasis from description to explanation by considering how and why these dynamics are occurring.

Table 6: Top retailers in the Czech Republic (ranked by food sales in 2000)

Company	Ownership	Format	No. of outlets	Food sales, (US$ m)
Makro	Germany	Cash & carry	9	557
Ahold	Netherlands	Hypermarkets, supermarkets	173	520
Rewe	Germany	Supermarkets, discount stores	159	478
Kaufland	Germany	Hypermarkets	34	359
Delvita	Belgium	Supermarkets	100	289
Tesco	UK	Hypermarkets, supermarkets	12	230
Tengelmann	Germany	Discount stores	84	217
Globus	Germany	Hypermarkets	9	190
Julius Meinl	Austria	Supermarkets	82	168
Carrefour	France	Hypermarkets	6	114

Source: USDA, 2001

How are transnational retailers internationalising?

The internationalisation of retailing literature has contained much discussion of the various market entry mechanisms that can be employed. The range of potential options, offering varying degrees of cost and control, have been summarised by Dawson (1993) and McGoldrick (1995) (see Figure 6).

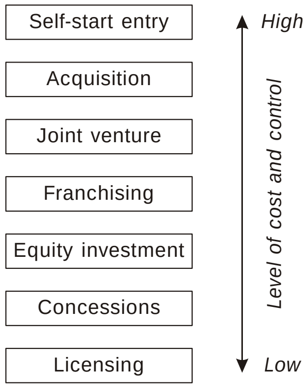

Figure 6: Mechanisms of market entry.

Source: adapted from McGoldrick, 1995, Figure 1.5.

- Licensing: this strategy requires the least capital investment and risk, but offers the least control as there is no equity ownership. Firms license foreign retailers to sell their goods, often their own labels.
- Concessions: another low risk, low cost method, based upon the operation of mini-shops within larger stores. Boots, for example, is using this approach in Thailand in collaboration with the Ahold-owned supermarket chain, Tops.
- Equity investment: by taking a non-controlling interest in a foreign firm, a retailer can have an operationally influential role in its running. Ultimately, both control and risk are circumscribed, however.
- Franchising: this option offers a balance between maintaining a measure of control over foreign operations, and levels of capital expenditure and risk. The key mode of expansion for a number of well-known specialty shops and fast food retailers, including the Body Shop, Benetton, Subway and McDonalds.
- Joint Venture: reduces the time, cost and risk of entry by working with a partner already familiar with local market conditions. Tesco, for example, entered the South Korean market through a partnership with Samsung's distribution division.
- Merger & Acquisition: a costly but quick entry route. Costs may derive from the fact that companies available for acquisition may be in financial difficulty, as was the case for some Asian

retailers in the immediate period after the Asian economic crisis of 1997/8. A well-publicised example of a large takeover was Wal-Mart's purchase of ASDA in the UK in 1999 for almost $11bn.

- Self-start entry: a store network being built up from scratch. Relatively rare and may be prohibited by regulations in some target markets. In China, for example, retailers can only enter into joint ventures, and may not own more than 65 percent of such operations (PWC, 2002).

Which of these mechanisms has been behind the rapid expansion of the leading transnational retailers since the late 1990s? The vast majority of the expansion in Latin America, East Asia and Eastern Europe has been secured through merger and acquisition (M&A) activity, augmenting rounds of M&A based consolidation in many transnational retailers' home markets. Data on cross border M&A activity in retailing in the late 1990s reveals a dramatic increase in both the number of deals and their value (Economist, 19 June 1999). Data collated by Wrigley (2000a) shows that in the period from December 1997 to December 1999, the European retailers Carrefour, Casino and Ahold were involved in some fourteen transactions to buy stakes in, or to buy outright, food retail chains in Argentina, Brazil, Columbia, Chile and Uruguay. Over the longer time period of late 1996 to late 2002, Ahold alone was involved in 19 acquisition and joint venture transactions in Latin America (Wrigley and Currah, 2003b). Similar patterns of intense M&A activity have been evident in East Asia and Eastern Europe since the mid-1990s. What recent market entry into these emerging markets also reveals, however, is that the distinctions between the categories listed above are not clear-cut. It is common, for example, for a foreign retailer to initially enter a market by entering into some kind of joint venture with a local retailer, to then increase its ownership share over time to a controlling interest or complete ownership (acquisition), while pursuing an aggressive strategy of new-store openings (organic growth). There is, then, a need to take a more dynamic approach to this aspect of internationalisation process.

Another way of characterising how internationalisation has been undertaken in the literature is to consider the degree of management centralisation undertaken by transnational retailers. The classic distinction made here is between 'global' and 'multinational' strategies (Salmon and Tordjman, 1989). Wrigley (2002) characterises the same distinction as being between 'aggressively industrial' and 'intelligently federal' strategies and between global 'category killers' and corporate parents. In both cases, the former model is associated with format standardisation, a centralised bureaucracy, export of management ideas and cultures from the core, and the pursuit of economies of scale in purchasing, marketing and logistics. The latter, by contrast, is characterised by multiple/flexible formats, localised partnerships, decentralised management with best transfer practice between countries, and the pursuit of economies of skills more than scale. Mapping firms onto this distinction is not always easy, however. While Wal-Mart may be a good example of the category killer model, and Ahold of the intelligently federal approach, many other firms including Tesco and Carrefour clearly lie somewhere between these ideal types, which are perhaps better seen as endpoints of a spectrum of management strategies with varying levels of local adaptation. Although Wrigley (2002) argues that the suitability of the Wal-Mart model is increasingly being questioned, it remains to be seen what the impacts of the recent financial crises afflicting Ahold will be on the popularity of more decentralised models of expansion.

There is a tendency in the management literature to be fixated with market entry for establishing store operations. As will be suggested later in the paper, there is a clearly a need for sustained research that investigates growth strategies *after* entry. Equally, it is also important to recognise the range of mechanisms that may be used to facilitate the other facets of retail internationalisation identified earlier in the paper. International sourcing, for example, may be achieved through a range of different mechanisms about which far less is known. These may range from simply dealing with importers and wholesalers in the home market, through using buying agents in foreign markets, to setting up permanent buying offices in foreign markets through which retailers can deal direct with manufacturers and producers. In the latter situation, there will be variation in the degree to which international buying offices are integrated together into a single global sourcing service. Another dimension of variation is the extent to which retailers come together in buying alliances to try and achieve economies of scale in their international sourcing operations (Dawson, 1994). These alliances may be co-ordinated at either the national or international scales (Robinson and Clarke-Hill, 1995). In terms of the international transfer of different forms of retailing expertise, again, a range of mechanisms may be in operation, ranging from formalised modes of transfer through trade associations, through to less formal modes involving the movement of individual entrepreneurs and managers. Management consultants and business service providers provide another channel through which retail knowledges circulate at the global scale. When the different strategies pursued in these areas are connected with the modes of store expansion discussed above, crude distinctions between global and multinational strategies may become even less meaningful.

Why are retailers internationalising?

This question is, of course, crucial in the effective conceptualisation of retail internationalisation processes, and as such, the literature has devoted considerable space to the topic. A wide variety of theoretical and analytical approaches have been applied to the issue, however. Davies and Fergusson (1996) provide a useful categorisation of these approaches.

Firstly, they point to a wide variety of studies delimiting the broad range of ‘push’ and ‘pull’ factors, both company-specific and environmental, that may be involved in the decision of retailers to internationalise or not (e.g. McGoldrick, 1995). Table 7 offers a summary of the key factors identified, and also a range of what might be called ‘facilitating’ factors. Of course, as Dicken (2003) describes, a range of these motivations will combine to influence a particular location-investment decision. A slight variant on this approach are studies that identify the range of factors that firms will consider when evaluating the relative merits of overseas markets. For example, Chain Store Age (1997) identifies the following: macro-economics, country background (e.g. political stability), distribution structures, competitive nature of market, sophistication of customer base, technical feasibility, supplier base, retail market size and growth, additional growth drivers such as lifestyle and pricing trends, real estate issues, market forecasts, relevant regulation, and taxation. While these lists and typologies are useful to a point, again there is a tendency to dwell on the *implementation* of international investment rather than its sustenance and expansion (Wrigley and Lowe, 2002).

Table 7: Factors traditionally cited as influencing retail internationalisation

‘Push’ factors	Facilitating factors	‘Pull’ factors
• Perceived/imminent saturation in domestic markets • Spreading of risk • Consolidation of buying power • Public policy constraints • Economic conditions • Maturity of format	• Use of surplus capital/access to cheaper sources of capital • Entrepreneurial vision • Inducements from suppliers to enter new markets • Removal of barriers to entry • ICT’s	• Unexploited markets • Pre-emption of rivals • Higher profit potential • Consumer market segments not yet exploited • Access to new management • Reaction to manufacturer internationalisation • Following existing customers abroad

Source: adapted from Wrigley and Lowe, 2002, Table 8.7.

Secondly, there are various ‘stages’ theories. Drawing on a tradition of Scandinavian research (e.g. Johanson and Vahlne, 1977), such work explains gradual processes of overseas expansion into culturally and/or geographically proximate countries in terms of the accumulation of experience and expertise of internationalisation. A relatively recent example of this approach is the work of Vida and Fairhurst (1998). In their behavioural model firms are continually faced by two strategic decisions: where overseas to allocate resources, and how best to enter international markets in view of external opportunities and constraints. The whole nature of the process is driven by firm and management decision-making characteristics, which in their view can be subdivided into knowledge, experience and attitudes/perceptions. While the strength of this approach is that it allows for temporal variation in the extent of international involvement, its chief weakness lies in its inability to explain rapid recent expansion into non-proximate countries by leading transnational retailers.

Thirdly, other authors have attempted to use Dunning's well-known eclectic paradigm (1993) with its emphasis on ownership, location and internalisation (OLI) advantages. For example, Sternquist (1997, 1998) develops what she terms the Strategic International Retail Expansion (SIRE) model based on the OLI approach. For ownership, Sternquist identifies asset-based advantages associated with unique products and/or reputation, and transaction-based advantages derived from specific methods of retailing (e.g. volume buying). For location, she uses the traditional push/pull factors identified above for assessing how attractive a foreign country is for investment. For internalisation, Sternquist considers how different modes affect a companies ability to protects its proprietary knowledge (e.g. franchising less so than ownership). This is combined with Salmon and Tordjman's (1989) global/multinational distinction, elements of the stages approach, and different corporate approaches to risk (derived from Eroglu, 1992) to offer a supposedly normative model of retail internationalisation. In reality, fusing a crude adaptation of Dunning's framework – which, for example, only considers store expansion – with other partial accounts from the literature, produces a schema with almost no analytical utility.

Fourthly, and finally, there have been embryonic attempts to make links between the retail literature and two other bodies of work, namely the value chain analysis associated with Porter (1985) and network analyses as indicated by the work of Dicken and Thrift (1992), for example. Unfortunately, almost a decade after Davies and Fergusson were writing their review, little progress has been made in this area, a point to which we will return shortly.

The paucity of current conceptualisations is revealed when they are applied to the recent explosive growth in overseas retailing profiled earlier in this paper. None of the approaches reviewed here can satisfactorily explain the rapid rise of small group of elite transnational food retailers since the mid-1990s. It is by no accident that the most convincing account – albeit preliminary – of the recent wave of global expansion is provided by Wrigley (2000a), one of the few economic geographers currently working on the topic. He describes how the overseas expansion of the late 1990s was not simply a defensive reaction to over-dependence on the home market, but was also fuelled by a need to sustain earnings growth (and therefore equity valuations) by using their free cash flow to secure revenue growth. In other words, pressure from financial institutions to secure profits and dividends was a significant factor. The emerging markets offered several important opportunities in this respect:

potentially rapid economic development and rising levels of affluence, consumer spending and retail sales, in combination with low levels of penetration of Western forms of large store retailing and associated distribution systems. The majority of retail sales in these markets were usually in the hands of small independent retailers or informal retail channels. Leading international retailers have been able to use their scale, lower costs of capital, and advanced distribution and logistics systems to obtain rapid revenue growth and high returns on their investment – up to 25-30 percent in the case of Carrefour's early forays overseas in the late 1980s and early 1990s. Rapid organic growth has proved possible in these markets as licences have been relatively easy to obtain, the costs of site acquisition and store construction are low, and existing retailers are often inefficient. By the late 1990s, Wrigley reports, although rates of return dropped as land and real estate prices started to rise, and there was increasing competition from other global retailers, the emerging markets still continued to offer advantageous labour and capital investment per store costs, and rapid revenue growth. The Asian economic crisis did not seem to deflect their enthusiasm, and in some case –for example Thailand and South Korea – offered opportunities to acquire retail and real estate assets cheaply.

In sum, as Wrigley (2000a: 506) recounts: 'global retailing was characterised in the mid-to-late 1990s then by the efforts of an elite group of firms to leverage their increasing core-market scale and the free cash flow for expansionary investment which those markets provided, in order to secure the longer-term higher growth opportunities offered by the emerging markets'. In this account we see the coalescence of a range of influences driving rapid retail internationalisation – home country capital markets, rates of return on capital, host market regulatory conditions, first mover advantages, underdevelopment of existing distribution systems – that are not given due weight in much of the existing literature. With this in mind, and with our tour of the current state of retail internationalisation and the accompanying literature now complete, we turn in the second part of the paper to mapping the key research priorities that have been revealed.

Part 2: Developing the research agenda.

The objective of this second part of the paper is to delimit some of the most pressing research priorities that emerge from the above review. Six broad areas are identified: although clearly overlapping and inter-linked, they are separated out here for the purposes of clarity. In each case, the aim is to link the retail studies literature with broader globalisation literatures, and in particular, with the GPN approach.

1. A holistic approach to the internationalisation of retailing.

Firstly, and to return to an argument flagged earlier in the paper, it is clearly crucial to develop research that looks at all the different facets of retail internationalisation simultaneously, and in an integrated way: to simply look at patterns of overseas store expansion is insufficient. To adopt a GPN approach – and thereby reveal the crucial power and value relationships within the network system – necessitates conceptualising the production system as a whole, i.e. from goods manufacturers through to final consumers, and exploring the relative degree of internationalisation of the various component networks.

There are two more specific reasons why it is important to conceptualise the internationalisation of retailing in such broad terms. First, such an approach can reveal the important *functional links* between different aspects of the internationalisation process. For example, the transfer of new retail formats into emerging markets may serve as a presage to inward investment by foreign retailers. Weatherspoon and Reardon (2003) chart the expansion of regional supermarket chains in Africa over the last decade, leading to speculation as to whether these chains will ultimately become takeover targets for large European and US food retailers looking to penetrate the African market, thereby repeating the pattern already evidenced in Latin America, East Asia and Eastern Europe. Equally, there are also emerging links between the operation of overseas retail outlets, and patterns of international sourcing. Here, the influence can run in either direction. On the one hand, contacts made during the establishment of overseas sourcing operations may then be used to facilitate market entry (e.g. B&Q's new retail operations in China developing on the back of the more longstanding sourcing operations based in Hong Kong). On the other hand, as international retailers develop their local supply place in foreign markets, certain suppliers may develop into regional, or in some cases global, sources for certain products. It is estimated, for example, that inward investment by Tesco into Thailand has subsequently paved the way for significant exports of Thai products – currently worth £40 million per annum – to the UK market (Wrigley and Currah, 2003a). To focus attention purely on overseas store operations thus runs the risk of overlooking these significant inter-linkages. In this context, the almost complete silence on the topic of international sourcing operations in two of the key management texts on international retailing is somewhat perplexing (Alexander, 1997: Sternquist, 1998).

Second, the broader perspective also enables us to achieve more analytical purchase on the *processes* of retail internationalisation and globalisation. As mentioned earlier, the management literature is strangely divorced from ongoing debates about economic globalisation in the social sciences. While the literature is strong at applying particular labels to different kinds of firms (e.g. 'cautious' versus 'aggressive' internationalists: Treadgold, 1988) or different kinds of strategy (e.g. 'global' versus 'multinational' firms: Salmon and Tordjman, 1989), it has been less effective in distinguishing between varying degrees of intensity of systemic internationalisation processes. Dicken's (1998) distinction between internationalisation and globalisation is pertinent here. He contrasts internationalisation – defined as the simple extension of economic activities across national boundaries – with globalisation, which is seen as the *functional integration* of internationally dispersed activities, and as such reflects qualitative changes in the organisation of economic activities. Applying this analytical distinction across the various facets of international retailing is important because it is often in terms of knowledge and format transfers, and sourcing patterns, that cross-country functional integration is most apparent. By contrast, focusing solely on overseas store operations might suggest a pattern of simple internationalisation due to their consumer-facing nature. It then becomes a question for empirical research to determine the extent to which the various activities show tendencies towards internationalisation or globalisation.

2. A spatially and temporally dynamic approach to the internationalisation of retailing.

This holistic approach to international retailing also needs to be accompanied by a more temporally and spatially fluid conception of the activities of transnational retailers. Research needs to be extended beyond the point of entry, to consider the subsequent development of overseas operations. For certain elite retailers, this may be a case of reviewing the mechanisms and processes through which growth is facilitated, and further investment ensues. For others, it may be necessary to consider processes of retail *divestment,* or in other words, a relative withdrawal of investment from overseas markets: the internationalisation of retailers rarely progresses as smoothly as the 'stages' theories (introduced briefly above) might suggest. Periods of rapid overseas expansion may be followed by periods of retrenchment and strategic reappraisal of the internationalisation process (Wrigley, 2000b). There is now a small body of research concerned with conceptualisations and examples of market divestment (Alexander and Quinn, 2002; Burt *et al*., 2002; Meyer-Ohle, 2002). Market divestment can take a range of forms, from simply altering the formats involved (e.g. Boots switching from own stores to in-store concessions in Thailand) to the complete removal of all activities from a particular market (e.g. Wal-Mart's well-publicised retreat from Indonesia). The decision to divest may not necessarily reflect weakness within overseas operations, but may be a proactive strategy based on conditions in the home market, or decisions about how resources may be more efficiently invested elsewhere (Alexander and Quinn, 2002). By bringing foreign sourcing operations into view, investment patterns are likely to appear even more dynamic as sourcing locations can be switched relatively easily in comparison to store investments.

What these last points indicate is that retail internationalisation is not simply about varying levels of investment in different markets over time. It is also necessary to have a greater appreciation of the spatial complexity and variability of the operations of the retail TNC. Reading some contributions to the literature, it comes across that the firm is a homogenous entity, which employs a certain set of uniform internationalisation strategies, be they ‘multinational’ or ‘global’. However, as Edvardsson *et al. (*1993: 81) have described, ‘the internationalization process varies from company to company, but even within one company there can be great differences’. Such spatial variation is the norm rather than the exception, and can be thought of in two ways. First, it is important to recognise that TNC do things differently in different markets, for example in terms of mode of entry, store expansion programmes, or supply chain management. It is less important, then, to label Ahold as ‘intelligently federal’, than it is to explore the ways in which Ahold adapts its strategies to the needs of different national markets. Second, it is vital to recognise that developments in different markets are inter-linked, and that the internationalisation process is characterised by what Burt *et al.* (2002: 214) term ‘complicated activity switching’ (see also Wrigley and Currah, 2003b). In this view, investment – in terms of both stores and sourcing – is constantly re-directed between national subsidiaries based on decisions about *relative* returns and profitability. Indeed, more generally, the intra-firm competition for investment and resources that occurs *within* TNCs is much under-researched (Phelps and Fuller, 2000).

3. The organisational and technological infrastructures of internationalisation.

More research is needed into the organisational structures and technologies that support and enable the complexity described above. While operating a store network self-evidently necessitates the presence of a number of functions in each national market (e.g. stores, warehousing), less is known about how retail TNCs organise other functions that may be functionally co-ordinated at different spatial scales (e.g. IT, finance, purchasing, training, logistics etc.) (Coe, 2003). The organisation of sourcing operations is a case in point here. Within the leading retail TNC’s, while the majority of food products are sourced locally, and certain products are sourced globally (e.g. clothing, electronics, and certain foodstuffs), regional sourcing networks are also emerging (e.g. in Latin America or Southeast Asia). More research is needed to unravel the inter-relations between these different scales, and explain how international sourcing is operationalised by global/regional sourcing offices and internationally mobile buying teams in combination with complex networks of agents and importers/exporters.

A particular aspect of these organisational geographies that merits more attention is knowledge management and processes of innovation within the retail TNC. There is now body of work that conceptualises TNCs as 'constellations of distributed know-how and reflexivity … operating at different spatial scales' (Amin and Thrift, 2002: 61), drawing upon, in particular, notions of knowledge transfers through communities of practice (Wenger, 1998; Amin and Cohendet, 1999; Coe and Bunnell, 2003). Currah and Wrigley (2004) have recently started research into this topic. They describe the situation in which for a retail TNC 'each store is potentially an autonomous centre of innovation, embedded in … a unique local context, with the capacity to learn how to adapt its format in a variety of ways' (p.9). Retail TNCs have to grapple with how best to capture, and then disseminate, such insights throughout their corporate networks. While many aspects of a retailer's operations are clearly in full view of competitors (e.g. formats, pricing, aesthetics), it is the transfer of process-based knowledges used in the 'back-region' (e.g. systems, methods, procedures) that is of most importance. Currah and Wrigley's initial analysis suggests that transnational retailers are increasingly establishing 'top-down' knowledge structures to try and capture these 'bottom-up' forms of in-store learning. International knowledge transfers are facilitated by both IT networks, and through social interaction, as seen, for example, in mentoring and training schemes, the formation of 'best practice' teams, and management transfers. Much more, however, remains to be learned about the problems and possibilities of these kinds of transnational knowledge networks.

4. Case studies of corporate culture.

As we have seen, the internationalisation strategies of retailers are highly spatially and temporally variable, and in many ways are company specific. As retail internationalisation is currently being lead by a small select group of large retailers, it may well be that their individual idiosyncrasies may defy any attempts to adequately theorise across the sector as a whole. Put another way, the *corporate culture* of individual firms may have a significant bearing on their internationalisation strategies, and indeed, whether they internationalise at all. Thus, a productive approach may be to explore the firm-specific cultures of Wal-Mart, Carrefour, Tesco and the like. This accords with research in the accountancy sector (Greenwood *et al*., 1999) which illustrates the importance of company history and culture in shaping how firms manage the internationalisation process. Methodologically, research might usefully proceed through in-depth case study research, using a range of qualitative and ethnographic techniques that are currently not often found in the retail internationalisation literature.

Shackleton (1996, 1998) is one of the few researchers thus far to have applied notions of corporate culture to retailer internationalisation, through her work on Sainsbury's moves into the US market since the mid-1980s. Building on the exemplary work of Schoenberger (1994a; 1994b; 1997), she advances the argument that the entrenched nature of corporate culture – thought of in terms of the social dynamics through which internal power relations are resolved – will shape the strategic decisions made by executives. Corporate strategy and economic restructuring are thus socially and culturally determined processes, with managerial identities playing a key role. Such an interpretation has many implications, but particularly for international expansion operationalised through mergers and acquisitions, and joint ventures. As Shackleton (1996, p.139) writes 'corporate culture is particularly influential during the post-acquisition period when two divergent corporate cultures collide. The post-acquisition period is shown to be characterised by a series of power struggles as the corporate cultures contend for supremacy'. As we have seen, much of the existing literature on retail internationalisation is obsessed with the why, how and where of market entry, to the detriment of understanding the importance of corporate culture(s) in dictating the success of these overseas ventures and as such, as Shackleton argues, is 'fatally flawed' (1996, p.141).

A second key argument advanced by Shackleton (1996, p.141) is that 'the transfer of corporate culture during the overseas diversification process can stimulate industry-wide restructuring. For example, the entry of a culturally divergent competitor can incite significant periods of dislocation and restructuring among the incumbent firms'. Such a dynamic view of culture is in direct opposition to the management literature that sees differences in corporate culture acting as powerful barriers to entry. Given the dramatic increases in internationalisation levels since Shackleton was undertaking her research in the mid-1990s, this argument has even more force today. She uses this dynamic notion of corporate culture to interpret Sainsbury's transfer of a British corporate culture to Shaw's of New England, through what she terms the 'acculturation process'. Shackleton's work illustrates how corporate culture can be both advantageous and burdensome within the same firm. She argues that while Sainsbury's 'strong' corporate culture prevented it from reacting to competitive changes in the UK market in the early 1990s, this culture was successfully transferred to Shaw's Supermarkets – as evidenced by a store expansion programme, tighter supply chain management, and own brand development – significantly improving the growth trajectory of this overseas arm of the Sainsbury empire.

5. Connecting capitalisms: the importance of political-economic context.

Research on retail internationalisation needs to be more integrated with a GPN-style approach that explicitly recognises that transnational network connections are *simultaneously* shaped by, and embedded in, the socio-political and institutional contexts of both the home and host countries that they interconnect. In addition, supra-national organisations (e.g. WTO, IMF, regional blocs) are playing an increasingly significant role in defining the regulatory conditions under which the international networks are established and developed. The existing management literature tends to pursue firm-centric models, in which retailers are somewhat distanced from the political-economic contexts in which they are embedded. For example, the rapid expansion of Tesco into Thailand over the last decade is not part of some generic expansion process that can simply be explained by selecting from a list of ‘push’ and ‘pull’ factors. The network connections between the UK and Thailand are shaped by regulatory conditions in the UK market, in combination with deregulatory processes in Thailand (in part initiated in the post Asian crisis period by pressures from the IMF). In turn, the extent and nature of post-entry growth in Thailand has depended on supportive Thai planning and competition legislation, in addition of course, to significant cultural transformations in the consumption practices of the urban Thai populace.

Such research would build on studies by economic geographers, working in the ‘new’ retail geography tradition (Wrigley and Lowe, 1996), which have revealed the ways in which competitive relations within the distribution system as a whole are shaped differentially by variations in the macro-regulatory and cultural environments (Hallsworth and Taylor, 1996; Marsden *et al.*, 1998; Wrigley, 2001). Various studies have tackled this issue in the ‘home’ markets of the leading transnational retailers. Wrigley (1992), for example, illustrated how different ‘retailer-regulatory state’ relations in the US and the UK have shaped very different grocery retailing sectors. While tight and strongly enforced anti-trust legislation in the post-war decades in the US served to protect small local retailers and inhibited concentration, a regulatory environment emerged in Britain which was ‘lenient, pragmatic and benign’ in the face of increasing concentration and retailer power (p.747) (see also Wrigley 1993; 1998). Much less is known about the interactions between transnational retailers and the regulatory environment in ‘host markets’. Here the work of Toktali and Eldener (2002) is significant, however, in showing how changing power structures in the distribution system in Turkey have clearly been shaped by the processes of import liberalisation and inward foreign investment initiated since the 1980s, in combination with sustained high inflation and interest rates. Another example of the way forward is the emerging body of work exploring how Wal-Mart’s European operations are differentially embedded in network relations with suppliers, unions and the state (Burt and Sparks, 2001; Fernie and Arnold, 2002; Hallsworth and Evers, 2002).

The need, then, is to study the ‘contested and contingent cross-links and matrices’ between different national regulatory regimes and ‘how these define the competitive space for retail capital’ (Marsden and Wrigley, 1996: 46). Such an approach is supported by the recent work of Wrigley and Currah (2003b), who state that ‘the dialectic nature of the retail internationalisation process must be appreciated – the institutional characteristics of both “home” and “host” economies are vital’. Such a project is particularly vital in the case of retailing, for as both Marsden and Wrigley (1996), and Wrigley and Currah (2004) have argued, retail transnationals are by definition highly embedded – in relation to other forms of TNC – in any market where there have a store network, which by its very nature will be a constituent part of localised consumption dynamics. In undertaking research in this vein, it is necessary to steer a path between over-emphasising the transformative effects of transnational retailers, or over-stressing the extent to which ‘national business systems’ (e.g. Whitley, 1999) or ‘varieties of capitalism’ (e.g. Boyer and Hollingsworth, 1997) shape their operations in particular countries. Instead, the aim is to explore the mutual transformation of both the TNCs and the places in which they are embedded (Dicken, 2000; Yeung, 2000).

6. The developmental impacts of transnational retailing.

This final dimension brings together, by necessity, several of the above strands. Perhaps the most glaring lacuna in existing work on this topic is in terms of the *impacts* of transnational retail activity, particularly with respect to socio-economic development in the host markets. As we have seen, the tendency of the literature to focus largely on the retailer and its mode of entry, mitigates against longer term, in-depth studies of the developmental outcomes of sustained inward investment in the retail sector. There are many inter-linked dimensions that are worthy of attention, of which seven are identified here:

- First, there will be sectoral competitiveness impacts in terms of indigenous retailers. As evidenced by Toktali and Boyaci’s (1998) analysis in Turkey, it is likely that the rapid acquisition of market share by foreign retailers will be squeezing some local retailers out, and also creating a pressure towards consolidation for the retailers that remain large. Equally, there is emerging evidence concerning the emulation of supply chain operations and retail formats of the retail TNCs by indigenous retailers (Goldman, 2000; Lo *et al*., 2001).
- Second, there will also be sectoral competitiveness impacts in terms of the interactions between different foreign retailers. Da Rocha and Dib (2003), for example, have explored the competitive responses of both foreign and domestic retailers to Wal-Mart’s entry into Brazil. It would be particularly interesting to explore the extent to which the competitive dynamics between the leading transnational retailers work out differently in national markets with different political-institutional systems. Tesco and Carrefour, for example, are currently in competition in five overseas markets (as Figures 3 and 5 show).
- Third, there will be significant impacts on local supply chains from the purchasing activities of transnational retailers. As Fernie and Staines (2001) allude, this is a much under-studied area. Early evidence from Turkey (Toktali and Boyaci, 2001; Toktali and Eldener, 2002), Africa (Weatherspoon and Reardon, 2003) and Latin America (Reardon and Berdegué, 2002) suggests that the purchasing decisions and supply chain requirements of foreign retailers are leading to rapid and dramatic consolidation in the distribution, wholesale and in some cases

manufacturing/agricultural production, sectors. While well-capitalised firms are profiting, smaller firms are liable to be squeezed out in such situations.

- Fourth, and relatedly, there are also impacts on domestic suppliers and supply chains in terms of the global sourcing activities of foreign retailers. Two recent studies are indicative of how this kind of work might proceed (see also Hughes, 2000). Dolan and Humphrey (2001) have explored the impacts of UK supermarkets sourcing horticultural products from Africa. Processes of consolidation and exclusion are evident, as only a small number of producers are able to meet the stringent volume, safety, quality, storage and logistics requirements of the UK stores. Schmitz and Knorringa (2001) have considered the potential for 'learning from global buyers' in the footwear industry, illustrate the varied and contingent impacts on producers enrolled into global sourcing networks.
- Fifth, transnational retailers are a constituent part of processes of socio-cultural change in host markets with respect to shopping and consumption patterns. In markets such as Thailand, these have been altered dramatically over the last few decades by the arrival of new retail formats, firstly in terms of department stores and fast food restaurants, and more recently hypermarkets and convenience stores, with dire consequences for local markets and street stalls (Hewison, 1996). In order to explain rapid recent growth in certain emerging markets, it is necessary to make links with work exploring the emergence of new forms of consumerism and the growth of the middle classes (e.g. Robison and Goodman, 1996). In some cases, resistance to various forms of consumerism may constrain the growth of the store networks of transnational retailers.
- Sixth, there will be impacts on the regulatory frameworks in host countries, which may either become tighter or more relaxed in response to the competitive success of foreign retailers. Areas of particular significance for retailers are planning legislation, competition policy, and import restrictions.
- Seventh, and finally, it is important to consider the impacts of the internationalisation process on the transnational retailers themselves, and how events in a particular host market affect strategy and investment decisions both at home and in other overseas markets.

Consideration of this wide range of impacts reiterates the need for a holistic perspective on the retail internationalisation, rather than one that chooses to look only at store expansion.

Conclusion.

The arguments of the paper need only be briefly reiterated here. The first part of the paper profiled the current state of the internationalisation of retailing, and offered a sympathetic critique of the management literature on the topic. Clearly, there has been a step-change in the overseas expansion of certain retail TNC's since the mid-1990s, and equally clearly, the existing literature exhibits some clear limitations in terms of its ability to effectively conceptualise these processes. The second part of the paper has mapped out a research agenda based around six inter-linked dimensions, each of which requires far greater integration of work on retail internationalisation with broader literatures on transnational production systems. In particular, it has been suggested that the insights of a Global Production Network (GPN) framework can be mobilised to offer more rounded and situated accounts of the internationalisation of retailing and its multifarious ongoing impacts.

In conclusion, it is worth considering some of the methodological implications of the arguments made in this paper. Three come immediately to mind. First, with so much work still to be done, multi-method approaches combining both quantitative and qualitative techniques will surely be necessary to develop a full appreciation of the internationalisation of retailing. This may range from large-scale surveys of suppliers, to ethnographic work within corporations to explore notions of corporate culture. Second, this will almost certainly mean that research on the internationalisation of retailing will need to become increasingly inter-disciplinary. In particular it will necessitate an intensive dialogue between those working in the management tradition, and a range of social scientists – including economic geographers, economists and economic sociologists – that have as yet not given the phenomenon its due attention. Third, work on the internationalisation of retailing will have to be multi-site to gain a deep understanding of complex 'matrix' of relations between the range of firms and institutions in both home and host countries that constitute the global production networks. This will entail not only inter-disciplinary work, but the formation of research teams across different geographies with detailed knowledge and experience of the various national institutional systems in which the networks are embedded.

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