

**SWP 41/90 GLOBAL MARKETS, THE GLOBAL CONSUMER
AND INTERNATIONAL RETAILING**

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ABSTRACT

This paper discusses the standardisation/differentiation debate within the context of the much neglected retail sector, and explores the contribution that such factors as consumer homogeneity and the creation of trading blocs make to this debate. These issues are reviewed within the framework of the required conditions for successful standardisation; that global market segments and global economies of scale exist, and that a distribution infrastructure is available to realise these potential economies world-wide. Retail companies can derive economies from sourcing, distribution and many aspects of marketing both within and across trading blocs, and should therefore begin to more closely identify their new position in the international marketplace.

2 - THE GLOBALISATION/DIFFERENTIATION DEBATE

The argument that there is an increasing similarity between certain groups of consumers within global markets, has centred around the question of the desirability of product standardisation for broadly defined international market segments. Much debate has taken place within the marketing literature over the opportunities for, and barriers to such standardisation (Levitt 1983, Kotler 1985, Quelch & Hoff 1986, Douglas & Wind 1987). However, little emphasis has been placed upon the issue of whether service concepts such as retailing, can be transferred across national boundaries, and if they can, how this is put into practice. This question of services needs to be addressed as the significance of its contribution to GDP continues to grow (Riddle 1986). In the developed economies, retailing makes an important contribution to individual nations' gross domestic product, ranking second in importance to manufacturing. Table 1 illustrates the retail sector's percentage contribution to GDP across a range of countries.

Table 1 - Retail Industry's Percentage Contribution to GDP

(* most recent years available)

(** restaurants, wholesale and hotels included)

<u>Country</u>	<u>Year*</u>	<u>Mftg</u>	<u>Retailing**</u>
		(%)	(%)
Australia	1985	17.5	16.4
Canada	1984	17.2	11.8
France	1987	21.8	15.0
Japan	1986	29.2	13.2
United Kingdom	1986	23.0	13.3
United States	1987	18.9	16.4

Sources: Euromonitor European and International Marketing Data and Statistics 1988/89/90, and Statistical

Abstract of the US 1989, US Dept of Commerce, Bureau of Census.

GLOBAL MARKETING, THE GLOBAL CONSUMER, AND INTERNATIONAL RETAILING

1 INTRODUCTION

Global marketing of standardised products to global consumers is a concept that has generated increasing interest in recent years. The arguments in favour of global standardisation, as initially stated by Levitt (1983), contain three key assumptions:

- 1 - customers needs and interests becoming increasingly homogeneous worldwide.
- 2 - people around the world willing to sacrifice preferences for such things as product features, functions, and design for lower prices at high quality.
- 3 - substantial economies of scale in production and marketing can be achieved through supplying global markets.

There are, however, a number of problems associated with these assumptions. Firstly, there is a lack of evidence of homogenisation; it has been argued by practitioners and academics alike that the differences between consumers both within and across countries are far greater than any similarities that may exist. Secondly, there has been a growth of intra-country segmentation, leading to increased fragmentation of domestic markets. Thirdly, developments in factory automation allowing flexible, lower cost, lower volume, high variety operations is challenging the standard assumptions of economies of scale benefits.

The presence of these obstacles to applying the global standardization philosophy suggest that such a strategy is only likely to prove successful in international markets under the following conditions:

- (a) the existence of global market segments
- (b) the existence of potential economies from standardisation
- (c) the availability of a communication and distribution infrastructure to deliver the firm's offerings to target customers worldwide.

2.1 - International Consumer Segments

The belief in consumer homogeneity is controversial. However for those companies which subscribe to it, it conditions their view of how best to address international markets. The controversy is derived from the geographical locations of similar consumer segments, the degree to which similarities in taste occur across the world, and whether fragmentation rather than homogenization may more appropriately describe international consumer trends (Kotler 1985, Quelch & Hoff 1986, Douglas & Wind 1987).

However in the fiercely competitive trading environment which many domestic retailers face, re-defining target segments as global segments can provide a route out of concentrated, mature, developed markets, and provide fresh opportunities for growth. For example, the problems of concentration (Akehurst 1983, Neilsen 1987), and market saturation within the retailing sector of developed economies such as the UK, US and West Germany, have been instrumental in propelling some organisations to move into international markets. This in turn is moving them towards more regional, and in some cases, global operations (Segal-Horn 1989, Salmon & Tordjman 1989).

Several changes have occurred within the competitive arena that have had far-reaching implications for both the consumer and producer of goods and services. The effect of technology upon such areas as, transparency of electronic information, global media and communications, have been instrumental in increasing the similarities between consumer tastes across geographical boundaries (Link 1988, Smiddy 1989, Capara 1989). Additional factors that have contributed to the reshaping of consumer demand, can be attributed to a variety of internal developments in the economic and social environment; demographic change, smaller households, better education, increased incomes, a widespread concern for health, energy shortages and environmental issues (Kacker 1988). Greater choice and control have become key aspirations of consumers in terms of the products and services available, and the time spent in shopping environments (Nelson 1989). These developments have been taking place at varying rates across the world and are viewed by many writers (Thorelli & Becker 1980, Levitt 1983, Jain 1989, Ohmae 1989), as a driving force behind the emergence of new cross-market segments and lifestyles that have challenged many sectors including retailing, and provided opportunities for more international strategies.

Ohmae (1989) has stated that it no longer makes sense for an organisation to assume that all of its customers will be of one nationality, or that domestic companies can best supply their home markets. He argues that although consumer tastes will differ within the triad of developed countries, Japan, Western Europe and North America, there may well be market segments of different sizes in each part of the triad that share many of the same preferences. Nelson (1989), has indicated that there is an observable trend towards the concept of 'open citizenship' within Europe and other parts of the world, where the need for economic integration is understood and valued. She states that individuals who share this attitude have the feeling of belonging to their own country, yet at the same time consume and are influenced by world-wide products and trends, such as arts, films, ethnic foods, and popular music.

In addition to such influences within OECD countries, Jain (1989) believes that there are pockets of consumers within LDC's and NIC's that have the same patterns of consumption. He argues that rather than targeting markets in terms of rich /poor nations, it is better to look for similar and heterogeneous segments across this divide, ie in both developed and developing countries. In India, for example, the rise of the middle class has created an unprecedented demand for consumer durables, in a market once confined to a very small number of wealthy individuals. Demand for international brands in India is now high (The Economist 1989), and has provided a further market for companies which already trade on a global basis.

This growing commonality of individuals within and across differing geographical locations, qualifies them as members of global segments which have in turn provided the platform for the introduction of more innovative ways of integrating rather than differentiating markets (Paliwoda 1986). Furthermore, this has been the vehicle for the international development and growth of lifestyle retailing, based upon the process of identifying the patterns in which people live, and spend time and money (Engel & Blackwell 1982). The success of lifestyle retailing indicates similarities of such patterns across international consumer segments, allowing for more standardised marketing and distribution strategies of products and services that companies such as Burger King, Benetton, IKEA, Habitat and Laura Ashley provide. Their products and services have proved over time, to have universal appeal across global markets that have been segmented on the basis of comparability in lifestyle.

2.2 - The Advantages of Global Operations

One of the most significant advantages of global trading is associated with size of operations. Economies of scope and scale allow for greater efficiency in current operations (Ghoshal 1987). Economies of scale permit the retailer to have greater bargaining power over producers and manufacturers (Segal-Horn & McGee 1989), wider control over the quality and processing of the goods they purchase, and the rationalisation of operational systems and methods. Additionally, economies of scope can allow for the sharing of investments, (both tangible such as fixed assets, or intangible such as expert knowledge), and costs across products, markets and businesses. Indeed branding is a useful example of this active pursuit of economies of scope. Brand names, although intangible, are now often treated like tangible assets and their valuation written into company balance sheets; strong brands, profitability and a strong share price frequently now go hand-in-hand (Stobart 1989). For a classic example of two types of economies of scope, the global brand name of Benetton has allowed them to diversify into new product areas such as a range of toiletries and perfume, which they have distributed across their existing branch network.

Some of the most vehement rebuttal of the standardisation approach occurs with regard to international marketing activities. This is largely because of the pivotal role performed by the marketing function in the close tracking of consumer preferences which must, by definition be carried out as close to the markets as possible. However this function can now be performed as well or better by retailers' point-of-sale (EPOS) data-capture technology. In fact, considerable standardisation of international marketing has occurred for some time. Consider the data in Table 2 provided in 1975 by Sorenson and Weichmann.

**Table 2 - Degree of Marketing Standardisation among Selected
US and European Multinationals**

<u>Elements of Marketing</u>	<u>Degree of Standardisation (%)</u>		
	<u>High</u>	<u>Medium</u>	<u>Low</u>
1 Product characteristics	81	4	15
2 Brand name	93	--	7
3 Packaging	75	5	20
4 Retail price	56	14	30
5 Basic advertising	71	6	20
6 Creative expression	62	4	34
7 Sales promotion	56	11	33
8 Media allocation	43	10	47
9 Role of sales force	74	10	15
10 Management of sales force	72	10	17
11 Role of middleman	80	7	13
12 Type of retail outlet	59	7	34

Source: Sorenson & Weichmann 1975.

Standardisation is particularly evident with respect to brand name, product characteristics, role of middlemen, packaging, role and management of sales force, and the basic advertising message. These are all still considered controversial areas for standardisation, yet more recent research confirms the earlier data. Takeuchi and Porter (1986) examined some of the most common activities within the marketing function based on ease or difficulty of international co-ordination. The results as given in Table 3 were an attempt to combine the organisational costs of co-ordination with the extent to which national differences made standardisation impossible or inappropriate.

Table 3 - Ease/Difficulty of Standardising Marketing Activities Across Countries

<u>Easier</u>	<u>More Difficult</u>
brand name	distribution
product positioning	personal selling
service standards	sales person training
warranties	pricing
advertising themes	media selection

Source: Takeuchi & Porter 1986.

These arguments imply a real possibility for the availability of cost savings in marketing overheads, as well as the creation of consumer tastes sufficiently homogeneous to justify such marketing approaches.

Retailers such as Benetton, the Body Shop and McDonald's have such a large international operating chain that they are viewed by the consumer as global brands, and their original home base is not discernible to the general public (Treadgold 1989). Their ability to create and sustain a successful brand image - and the goodwill attached to it - is a key competitive advantage (Winram 1987), and not one previously thought available to service businesses such as retailing. In fact the branding of services is a relatively recent, and underutilized asset (Taylor 1987). It is this advantage of branding that eases the transfer of the retail concept to different geographical locations across the world. Whereas previously, international branding was something considered only for products, the same factors, added to the commonality of tastes and preferences, now make possible the international success of certain types of retail concepts such as Laura Ashley.

Spreading operations across a number of foreign markets can also provide the opportunity to standardise product and service offerings and the way in which they are marketed to the consumer. This can lead to substantial savings, for example the cost reduction in advertising for Coca Cola and PepsiCo is considerable (Onkvisit & Shaw 1989). PepsiCo's savings from not producing separate films for various markets is approximately \$10m annually.

This figure is increased when indirect costs are considered, for instance the speed of implementing a campaign, less elaborate staffing of overseas marketing personnel, and the amount of time which management can divert to other marketing activities, (Link 1988).

In transportation and distribution, retail concentration is a key variable in determining the shape of the industry. As Table 4 indicates, even in the more sophisticated EC markets, this factor is at different levels. Moreover, in Italy, Spain, Portugal, Greece and Ireland, immense opportunities for restructuring and increased concentration exist. Retailer concentration is itself a trigger for distributor concentration since it foreshadows a shift from manufacturers' own transport to the use of specialist contract distribution companies and common user systems. As the highly concentrated UK retail chains have entered Europe, they have taken with them their distribution practices and expertise (eg Marks & Spencer into France). The use of centralised distribution and specialist distribution contractors grows in tandem with the increase in retail concentration throughout the EC via acquisitions.

Table 4 - Concentration in European Food Retailing

	<u>% of Total Food Sales</u>	<u>Purchasing Points</u>
	<u>Represented By Top 5</u>	
France	37	100
Netherlands	56	7
W.Germany	50	170
United Kingdom	48	7

Source: ICC 1988.

The restructuring of distribution will benefit non-European as well as European producers. American and Japanese companies, previously marketing separately to highly individual countries, will be able to import through centrally-placed Holland and Belgium and then truck throughout Europe (Penman 1989).

Also noteworthy is the effect on specific product categories such as fresh, chilled and frozen produce, of cost reductions, shorter journey times and, most importantly, dramatic technological developments in transportation. For example, the development of the 'Freshtainer' system can extend the life of fresh foods up to five times by the use of computer-controlled temperature, humidity, and atmosphere levels. Its effect on the scope of international market development for such products as fresh fruit, flowers, vegetables, poultry, meat and fish, is obvious, especially since there are also high-growth consumption categories benefiting from the trends to healthy eating and the 'greening' of consumers.

Increasingly, globalisation is utilised by practitioners at whichever points in their value chain advantages are derivable, often falling short of global operations across all functions. Indeed, Quelch & Hoff (1986), and Douglas & Wind (1987) advocate that a contingent approach be taken to product and marketing standardisation, allowing flexibility between the two extremes of full standardisation or complete local control. Where possible, taking account of the forces that are driving globalisation, (Yip 1989) and also managerial constraints on a company's ability to exploit such opportunities, world-wide co-ordination should provide measurable benefits in improving inconsistent brand identities or slow cross-border new product/concept launches for international companies.

It would appear that there are a number of opportunities across and within world markets for standardisation and global marketing, as well as differentiation and local marketing. It is not a question of commitment to one or the other, as both approaches may be utilised simultaneously. The strategic objective is to achieve the major advantages to be had from global structuring of part of the product/service offer, whilst at the same time fine tuning (or 'tweaking') and developing other parts of the same offering to closely match the needs of a particular local market. The experience of Kentucky Fried Chicken on its entry to the Japanese market necessitated three specific changes to its international strategy. First, the product was of the wrong shape and size since the Japanese prefer morsel-sized food. Second, the locations had to be moved into crowded city eating areas and away from independent sites. Third, contracts for supply of appropriate quality chickens had to be negotiated locally although KFC provided all technical advice. After adaptations to the product and site, KFC have been successful in Japan. A global marketing strategy is therefore more about looking for opportunities for integration of associated activities across geographic locations, where appropriate. Whilst disregarding traditional market boundaries, it needs a built-in awareness and responsiveness to shifts between globally homogeneous and locally differentiated markets.

Such a strategy will derive maximum benefit from the exploitation of the similarities between international segments where they exist or where they can be created, as the growth of the middle class and suburbanisation continues.

2.3 - The Creation of International Trading Blocs

The economic and political deregulation of internal markets has accelerated in momentum this decade. There are several advantages accruing from international trading agreements, in terms of healthier balance of payments, international goodwill, image and prestige (Paliwoda 1986). At the same time, such movements are providing communication and distribution infrastructures, which are enabling companies to offer their goods and services to consumers on a world-wide basis.

The most widely discussed change in the global trading environment in recent years has been the creation and consolidation of the European single market, with a projected completion date at the end of 1992. By 1993 the Canadian/United States agreement (possibly to include Mexico in the future), and a free market in services in New Zealand and Australia, will also be in place. Additionally, there is an increasing likelihood of Japan emerging as the leader of a 'yen' bloc in Asia and the Pacific: 'The combination of Japan's demand for cheap manufactured imports and its overseas direct investment in Asia have greatly increased overseas trade. More and more of this trade is denominated in yen, and Asian central banks are gradually holding more of their reserves in yen' (Emmott 1988).

This ongoing reduction of structural and fiscal barriers to trade, means that these geographical regions can begin to represent major forces in world markets. Within Europe, the reduction of regulatory barriers such as differing quality standards on food and electrical products, is creating new markets and customer groupings with sufficient potential to attract North American and Asian interest (Grabowsky 1989). Not only will organisations from both within and outside the EC be able to introduce new and different products and services across countries in the trading blocs, but this in turn will influence consumer tastes, preferences and attitudes.

The creation of trading blocs also improves the potential for extending successful concepts from one country to another. The implications for brand strategies include global brands, umbrella concepts, line extensions and the test conversion of key national brands. This echoes current innovative industry views on the development of

international food brands. The food industry is a particularly interesting vehicle for illustrating trends in globalisation since it faces the most deeply-rooted, culture bound notions of 'taste' in eating habits. Yet even here evidence for some consumer convergence exists. There is increasing acceptance of multilingual packaging and a questioning of assumptions that a proliferation of products are necessary to meet market needs. When Phillip Morris, a US-based multinational food processor, reduced five different recipes for the same product to just one, no discernible effect on demand occurred (Collins, Schemener & Whybark 1989). Also, a 1988 study by the Ministry of Agriculture, Fisheries & Food (MAFF) in the UK, showed that long-established regional food preferences are gradually disappearing as a result of the ever-growing dominance by the big supermarket chains making similar products available in all regions. Demand-creation is therefore occurring. Although new products are the least culture bound (Quelch & Hoff 1986), they are often considered easier to market internationally than existing products. However, given the high failure rate within NPD in general, Capara (1989) recommends that existing brands should be looked at first. Jacobs Suchard is an example of an international food company which has used an existing brand in this way and have deliberately built an international strategy for their established Milka chocolate brand. Sold only in tablet form in 1985, it is now sold as a countline, praline and seasonal, while expansion of geographic spread has been from:

1985 - Austria, Germany, Switzerland, France

1989 - UK, Spain, Benelux, Italy, Holland, Argentina, Hong Kong, Japan (Zinser 1989).

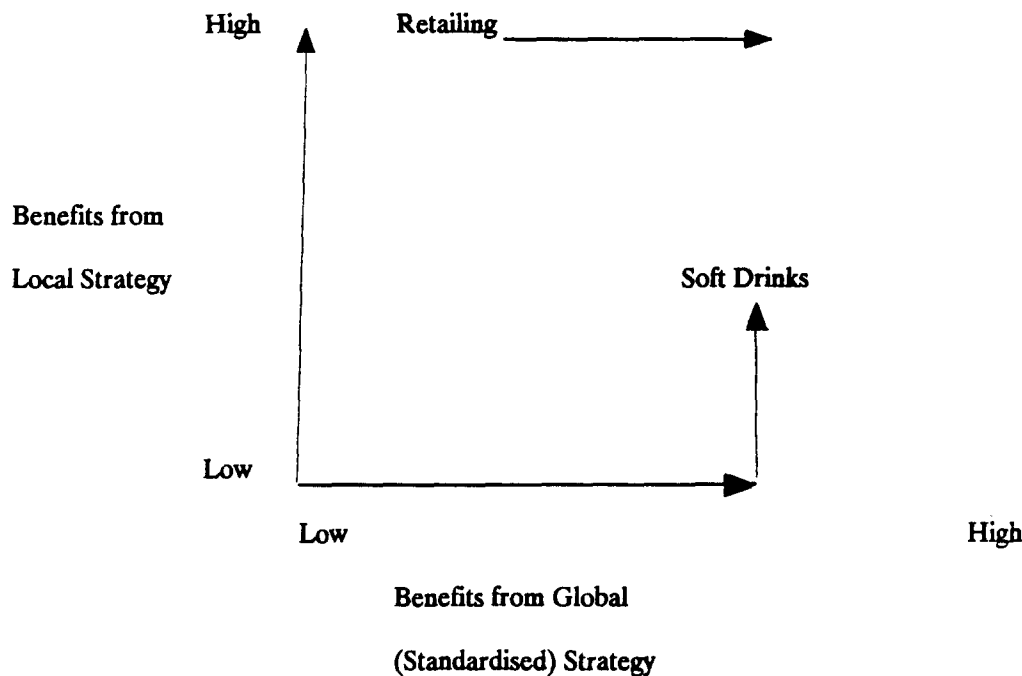
3 - THE RETAIL SECTOR AND THE GLOBALISATION DEBATE

The neglect of retailing as an area of study has in some cases been due to the fact that historically, it has been a domestic market based industry, with core activities seen as primarily downstream in marketing, sales and service. Industry sectors characterised by predominantly downstream value chain activities, have been viewed as very difficult to globalise, since they require a high proportion of localised activities (Porter 1985).

However, a number of fundamental changes have occurred within the retail sector which are believed to be redressing the balance of the configuration of upstream and downstream activities.

For example, the retail sector has always been regarded as highly labour intensive, whereas it has become more capital intensive partly as a result of increasing use of information technology eg EPOS systems and the cost of large, well-situated sites. Further potential change arises from the political and economic restructuring that is taking place across the world. The formation of trading blocs and declining barriers to trade, have been instrumental in undermining the traditional cost structure of the retail industry, particularly in terms of the ability to source world-wide and utilise trans-regional distribution systems. As a result of these factors, upstream retail activities, such as purchasing, sourcing, logistics, distribution and warehousing functions have become increasingly important and large scale. As illustrated in Figure I, this shift can provide the opportunity for greater standardisation in management practices and retail offerings.

Figure I - Local Versus Global



Adapted from Porter 1986.

3.1 - Transfer of Retail Concepts

Both historically and currently, there is a strongly expressed practitioner and analyst's view that retail concepts do not travel. James Wood, Chairman and CEO of A&P (US), recently told a UK retail conference, "retail success formulas are not generally portable" (Retail & Distribution Management, November - December 1989). Despite this entrenched 'local' ethos, and in response to those challenges and opportunities described above, some major companies are transferring their existing retail offering, or creating new concepts and moving into new foreign markets, or alternatively, creating alliances, such as consortia with other retailers (Smiddy 1989). Transfers of retailing concepts or techniques are thought to be more acceptable in countries that have similar social and cultural environments and are at comparable stages of economic development, (Kacker 1988). The increasing similarity of these socio-economic factors across major economies, can be seen in the swift endorsement of new retailing concepts and modes of operation from across the world. In Japan, for example, supermarkets and fast food restaurants gained fast acceptance after the economy had undergone significant structural changes, women had entered the workforce, and a more Western life-style had been adopted (Kacker 1988).

The introduction and ease of transfer experienced by a number of retailing companies, demonstrates this growing acceptance, and in some cases, demand for innovative and different retail offerings by the international consumer. This is evident in the acceptance of a growing number of trading formats such as hypermarkets, discount warehouses, and convenience stores (Treadgold 1989). The hypermarket format, which originated in France, spread to Spain, Italy and Brazil and the UK in the 1970's, and is now entering the North American market (Ody 1989). Toys R Us, the US toy retailer, has evolved a unique retailing formula that blends the concepts of self-service and discounting with speciality retailing (Kacker 1988). They have been able to infiltrate many overseas markets, and their global success is due in part to the acceptance of this mode of operation by consumers across the world.

Problems sometimes occur in the process of transference. For Marks and Spencer (UK), inadequate understanding of the Canadian and French markets led to several years of poor trading, as was also the case for the rapid start-up and closure of Citibank's Money Shops in the US and UK. However, evolution of retailing is increasingly following similar patterns in the developed economies.

Findings from Lusch (1987), Segal-Horn (1987), and Dawson (1989), illustrate the similarities in broad patterns of structural responses to consumer change in the retail sectors of the US, UK and Japan respectively. This provides a framework in which retail concepts can be exported. Indeed, Table 5 provides some examples indicative of the current presence of global retail concepts across the three main triad trading blocs. The initial set-backs that have befallen some companies, have had positive gains in providing valuable lessons in market research, site selection, and re-definition of offerings, and are examples of the experience curve that organisations, involved in international operations, often undergo.

One of the most important things that has been learnt by international retailers is that formats, merchandising, store design and store location often have to be customised to local conditions to achieve success. But it should be noted that such 'tweaking' of the core concept or merchandising mix, while representing modification, is not a denial of global or regional operating benefits. Benetton may sell different colour and range combinations in its Asia-Pacific stores to its European ones, but this does not detract from the scale benefits the company gains in manufacturing, marketing, distribution and branding. Pizza Hut protects the core elements of its brand by copyrighting its individual product brand names, eg Perfect Pizza. It also ensures standardisation across markets by operating a strict specification of product ingredients. However, the concept is adapted to suit local needs, for example, some elements of the menu (such as desserts) will vary, as will store design, and even the way in which products are served to the customer.

Table 5 - Indicative Triad Coverage - International Retailers

<u>Retailer</u>	<u>Trading Bloc Presence</u>		
	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>
Bally (W.Germany)	*	*	*
Bennetton (Italy)	*	*	*
Body Shop (UK)	*	*	*
C&A (Holland)	*	*	*
Carrefour (France)	*	*	
Delhaize (Belgium)	*	*	
IKEA (Sweden)	*	*	*
Laura Ashley (UK)	*	*	*
Marks & Spencer (UK)	*	*	*
McDonalds (US)	*	*	*
Mitsukoshi (Japan)	*	*	*
Takashimaya (Japan)	*	*	*
Tandy Corp (US)	*	*	
Tenglemann (W.Germany)	*	*	
Toys R Us (US)	*	*	*

Source: Author's Compilation from Company Reports, Treadgold 1988, Debenham, Tewson & Chinnock 1989.

3.2 - Trading Blocs and International Retailing: Inter-bloc and Intra-bloc Standardisation

Previously enduring characteristics such as national barriers, which have governed perceptions of segmentation and existing trading conventions, are becoming more transparent in the retail sector. In Europe, the 12 geographically defined member states, will be replaced with a single market structure of 325 million consumers, which is already presenting new opportunities for retailers. Although obviously these 12 markets are at different stages of development, this in itself represents an opportunity for aggressive retail chains. For example, the low level of multiple chains in Spain, just 3% market share compared to nearly 60% in the UK, represents a golden opportunity for edge-of-town and hypermarket development.

The geographical spillover of market segments is also seen as the basis for the origination of clusters of Euro-consumers across countries within the trading bloc, where traditional national and local differences will still exist, but be far less significant than in the past. Vandermerwe and L'Huillier (1989), believe that the outcomes of such regrouping will be seen in the creation of international information networks, in addition to an increasing requirement for uniformity and consistency in quality, delivery and marketing of products and services across Europe. Such scope to create demand, rather than just servicing existing demand, can be actively grasped, and will have a far-reaching effect upon retail distribution strategies, making it easier to service international consumer groupings, both within trading blocs and across them. It is this necessity for the restructuring of channels and the management of service quality across wider and wider boundaries, which offers openings for early distinctiveness and success (Segal-Horn 1988).

It is likely that these types of opportunities will be repeated to different degrees, in other parts of the globe that already have mature retail markets. It will be particularly important to follow the increasing concentration levels building up within domestic economies as trading barriers fall. Even Japan has agreed in principle to dismantle its law restricting the development of large stores. Increased concentration must follow. The Canadian market is actually over-developed and under-shopped and the US very widely dispersed and quite fragmented, yet the success of formats such as Wal-Mart together with active restructuring through divestments and acquisitions in this sector, indicate some lines of development.

retailer is presenting a uniform image, brand name, or product with little variation, such quality control factors are extremely important. These requirements are particularly relevant for companies retailing luxury goods and services. For example, the Louis Vuitton network of stores across Europe, Japan, the Far East, and North America, sell a range of luxury travel goods and accessories to a closely defined target market, which expects a high quality but standardised product. Table 6 illustrates the breadth of geographical coverage across the major trading blocs that certain highly targeted, specialist international retailers, such as Louis Vuitton have achieved. These luxury retailers are characterised by particularly high levels of vertical integration and typically manufacture their own products.

Table 6 - Indicative Triad Coverage - Speciality retailers

<u>Retailer</u>	<u>Trading Bloc Presence</u>		
	<u>North America</u>	<u>Europe</u>	<u>Asia Pacific</u>
Dunhill (UK)	*	*	*
Gucci (Italy)	*	*	*
Joseph (UK)	*	*	*
Louis Vuitton (France)	*	*	*
Mappin & Webb (UK)	*	*	*
Ralph Lauren (US)	*	*	*
Wedgewood (Ireland)	*	*	*

Source: Author's Compilation from Company Reports, Treadgold 1988, Debenham, Tewson & Chinnock, 1989.

Finally, co-operative agreements such as franchising, joint ventures and investment provide further alternatives to overseas market entry. Franchising has been the route taken by retailing companies such as Body Shop (UK), Benetton (Italy), Stefanel (Italy), McDonalds (US), PreMaman (France), and Yves Rocher (France). Joint ventures have been particularly favoured in countries such as Japan and India which until recently, have been found difficult to penetrate. In Japan there have been a number of agreements between Seibu Saison and UK and US companies such as McDonalds (US), Mulberry (UK), and Paul Smith (UK). The ventures work mainly on a concession, shop

These opportunities that are at present at an early stage have implications for the scope of marketing and distribution strategies of retailing companies.

3.3 - Modes of International Market Expansion for Retailers

For all retailing organisations with ambitions to operate in overseas markets, the methods of entry can vary from acquisition to franchising and licensing. Acquisition of a controlling interest in a foreign company provides immediate market share, sites, location, concept and distribution. It may also encompass a diversification of retailing activities.

During 1988, the US retailing sector saw the acquisition of Federated Department Stores by Campeau Corporation (Canada), the purchase of Brooks Brothers by Marks and Spencer (UK), and the diversification into the hotel and leisure sector by Seibu Saison (Japan), in its acquisition of the Intercontinental Hotel Corporation. Within Europe the Belgium retailer Delhaize le Lion has acquired a number of overseas stores in the US, (eg Giant Foods in 1985), and Portugal, (eg 40% stake acquired in Pingo Doce in 1986) (Dawson & Burt 1988). The UK jewellery chain Ratners has recently bought the US firm, Sterling and Westhall, making it the largest jewellery chain in the world. A further example of such activity is that of European Home Products (UK), which has grown internationally mainly by acquisition of a number of diverse consumer goods companies such as Singer (sewing and electrical products), buying the Spanish Ivarte electrical chain, in addition to the Scholl pedicure and footwear company in 1987. Although the parent company EHP is based in the UK, the focus of activities is firmly placed upon the whole of Europe, rather than on any individual country, (Ody 1989).

Organic growth is a strategy for developing overseas operations, which leading UK retailers, such as Laura Ashley, Sock Shop and Habitat (Storehouse), have taken in order to spread trading activities across a number of geographical locations (Dawson & Burt 1989). It is also the one pursued by the oil companies, global petrol retailing chains such as EXXON. Organic growth ensures that financial and management control is retained by the parent company over the overseas operations, (although, in the case of Sock Shop, the cost of borrowing to finance growth combined with poor selection of US sites, has created severe problems for the whole business). When the

within shop basis, although there has been recent movement towards establishing stand alone sites that bear the foreign retailers' name, but are run by companies created by the two participants. A new type of co-operative agreement is emerging in Europe with buying associations and consortia. The Argyll / Casino / Ahold / Rinascente / Dansk / ICA and Migros Consortia involves retail chains from seven European countries. Retail consortia are not just joining together to buy products. Smiddy (1989) sees further, more sophisticated procurement benefits in the joint purchase of vehicles, computers, software and even the eventual international transfer of trading formats. With such potential synergies from collaboration, it is believed that differing degrees of joint venture as a mode of entry into international markets will start to gather pace. Indeed, whilst the cost of entry and risk element associated with acquisition and organic growth remains high, (as the recent experiences of companies within the US and UK retail sectors show), it may well quickly become the preferred route into international retail markets.

4 - CONCLUSION

The retailing sector is already moving towards internationalisation and globalisation. The late 1980's have seen an increasing number of mergers, acquisitions and international retail expansion (Treadgold 1989, Dawson & Burt 1989). Furthermore, most retailers now buy from a supplier outside their country of origin, and most retail organisations face marketing, financial and operational impact from foreign competitors (Grabowsky 1989). This paper has been exploring the extent to which customers of retail companies are becoming increasingly influenced by similar social trends across the world. Homogeneity of tastes and preferences is a real issue for retailers that effects the way they segment their markets, distribute their products, and plan their merchandising strategies. In addition, the removal of barriers to trade within countries and the creation of trading blocs between such deregulated groups of countries across the world, is providing the mechanism for accelerating these developments.

This paper has addressed itself to a consideration of the standardisation/adaptation debate to the retail sector. It has further considered the contribution that the current development of trading blocs makes to this debate. The discussion has reviewed these issues within the framework of the three key conditions raised in the introduction: that a global standardisation strategy can only be successful if evidence can be found for the existence of global market segments, of global economies of scale, and of the availability of a distribution infrastructure to realise these potential economies world-wide. From this review of the conditions in the retail sector, under all three categories there does appear to be an a priori case worthy of further consideration. The authors are currently engaged in an interview programme with senior executives of UK retail companies involved in international operations and are arranging similar schedules in Europe and the US, to test out the relevance of the raised factors to retailers' international strategies.

If a preliminary conclusion can be expressed concerning the standardisation or adaptation of retail offerings within and across trading blocs, it is that while all aspects of the format and the merchandising mix are usually adopted both within and across trading blocs, underlying economies are increasingly derivable from sourcing, distribution and many aspects of marketing. Companies should therefore begin to more closely identify their new position in the international marketplace, and grasp this unprecedented chance for growth and world-wide segment dominance.

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