

A STUDY ON DIGITAL TRANSFORMATION IN RETAILING: INTERNATIONAL CONTEXT

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ABSTRACT

Retail Internalization has always attracted interest from both academics and practitioners. Although many retailers have developed international markets successfully by adopting agile global supply chain, offline and online channels, and various store formats, some cases indicate that barriers and difficulties which retailers face when entering the foreign market still exist. In this paper, we adopt an organizing framework to deepen the understanding of the retail internationalization process, summarize the new issues at the firm and store –level, and intend to provide a theoretical framework. This paper will discuss the key themes surrounding the internationalization of retailing and describes the various facets of international retailing and the scope of retailer internationalization, considers the basic strategic option and methods for market selection and entry and reviews international retail marketing opportunities.

Keywords: Retailing, Internationalization, Trademark, Globalization, International Marketing

1. INTRODUCTION

“All the activities involved in selling product and services to final international consumers for their personal consumption.”

*Retail internationalization is the management of retail operations in market which are different from other in their regulation economic development social conditions cultural environment and retail structure.

*Transferring retail operations concept management expertise & buying function across national borders.

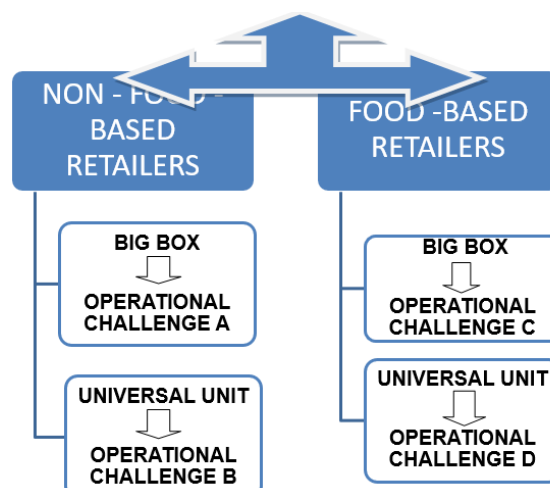
*Global retailing is now valued at \$ 7 trillion (source: 2011 global retail report deloitte touch tohmatsu).

International retailing has become an important subject of study, as international retailers have become an increasingly important component in the globalization of consumer culture and the international distribution of services and products. Trends in the internationalization process are more easily identified when the fundamental divisions within the retail structure are understood. Treadgold (1988) provides a structure on the basis of which international retail managers may characterize their operations and the growth potential of the company while it pursues given objectives. Cautious internationalists will not see the same growth rates as retailers in the world power group.

2. HIERARCHY OF INTERNATIONAL RETAILERS

Retailers can be categorized as food retailers, who market food product and non food retailers, who basically retail non –food items including life style product such as apparels, hard goods, furniture etc. Retailers that operate large retail formats like hypermarkets or large discount stores are also called big –box retailers. They are generally standalone stores and pull customers from a large catchment area. In contrast, universal retailers operate smaller formats and benefit from customer traffic pulled by other retailers. These are located in malls and high streets.

INTERNATIONAL RETAILERS



OPERATIONAL CHALLENGE A: It denotes the challenges faced by big box non food retailers such as WAL-MART and HOME DEPOT .These retailers seek to enter new markets where social and economic changes are creating opportunities .They may prefer the joint venture or acquisition route if possibilities are available in the host country, or may have to settle for organic growth.

OPERATIONAL CHALLENGE B: It refers to challenge faced by universal –unit non food retailers like ZARA,ABERCROMBIE and FITCH etc. They focus on markets that have sufficient socio–economic and retail structure development to accommodate them. They try organic growth ,franchising or concession mode of entry to foreign markets.

OPERATIONAL CHALLENGE C:It refers to challenge faced by big –box food –based retailers such as CARREFOUR, TESCO ,METRO and COSTCO .They like to enter the markets, which facilitate the retailers to grow alongside and existing retail structure .They may prefer joint ventures or acquisition if possibilities are available in the host country or else they may have to settle for organic growth.

OPERATIONAL CHALLENGE D:It denotes challenge faced by universal –unit food –based retailers such as whole food market .They focus on the markets that have sufficient socio –economic and retail structural development to accommodate them. They prefer organic growth, franchising or concession mode of entry to these markets.

BEST MARKET ENTRY STRATEGIES TO ENTER INTERNATIONAL MARKET

International retailers are some of the largest retailers in the world and notably some of the most valued. Retailers trend to seek expansion in the familiar markets. They seek expansion in geographically contiguous markets .Such markets are psychologically proximate .For expansion retailers have to take into consideration the political and economic environment in the host country .They might adopt a range of market –entry modes depending on market size and cultural proximity considerations. Retailers might adopt a range of market-entry modes depending on market size and cultural proximity consideration. Through experience of some international markets, retailers may progress from exporting and wholesaling to concessions, to organic growth. Some might follow an acquisitions route as a foundation for organic growth.

DIRECT EXPORTING: Companies use direct exporting in which they sell the product they manufacture in international markets without third –party involvement. Companies that sell luxury product or have sold their goods in global markets in the past often choose this method.

LICENSING: Licensing occurs when one company transfers the right to use or sell a product to another company .A company may choose this method if it has a product that is in demand and the company to which it plans to license the product has a large market.

FRANCHISING: A franchise is a chain retail company in which an individual or group buyer pays for the right to manage company’s behalf . Franchises occur most commonly in North America, but they exit globally and offer business the opportunity to expand overseas. Franchising typically requires strong brand recognition ,as consumers in your target market should know what you offer and have a desire to purchase it.

MERGER AND ACQUISITIOS :This is a popular mode for retailers entering international market .Large retail chains like WAL-MART and CARREFOUR which operate large format stores like hypermarkets often find acquisition the only profitable way to enter the market quickly as organic growth would be difficult in countries with a developed retail structure.

3. CONCESSION

A concession, or ‘a store within a store’ is a popular way of moving into international markets for a retailer who lacks experience of international operations . Under this arrangement the retailers is allotted a fixed space in a large store to stock and sell its brands. In this way the retailers brings its operations skills to the host store. The host store builds the retail footfalls and thus reduces risks .Thus ,Harvey Nichols stores host exclusive brands like Christian Dior, Armani etc. Concessions are popular with international department stores such as Debenhams, Galleries Lafayette and Harvey Nichols.

JOINT VENTURES: Joint ventures are employed to gain access to geographical markets especially where government policy insists on participation of a local partner ,gaining access to local entrepreneurial skill and site locations . It often helps in establishing store image and retail brand in the local market .

REASON FOR INTERNATIONALIZATION OF RETAILING

Hollander proposes five reasons for retail internalization.

1. Inadvertent internationalization,
2. Non-commercial motives,

3. Commercial objectives,
 4. Government regulations,
 5. Capitalizing on existing or potential sales opportunities.
- **Inadvertent internationalization:** Inadvertent internationalization is due to political instability. Sometimes, changes in the demarcation of national borders take place. This may mean a retail company is operating in a different market although its stores have not physically moved. Changes in Eastern Europe are the examples of this kind.
 - **Non-commercial reasons :**Non-commercial reasons of political, personal, ethical or social responsibility have motivated retailers to move into foreign markets. For example, retailers foray into markets for reasons of social and environmental responsibility. Notably, the Body Shop's "trade not aid" sourcing policy helped develop infrastructures in order to stabilize economics.
 - **Commercial objectives:** It include entering the market which gives retailers competitive edge. Gaining important market knowledge before moving in on a larger scale learning about innovations may be other commercial objectives of retail internationalization.
 - **Government regulations:** Government regulations influence the choice of market by retailers. It is not a prerequisite to internationalization. Retailers prefer the markets with fewer restrictions on their growth. Severe regulations at home push retailers into the international arena.
 - **Growth potential:** Retailers seek the best growth potential possible. If they perceive profitable opportunities in overseas markets, they are likely to capitalize on them.

CHALLENGES FACED BY INTERNATIONAL RETAILERS:

1. Cultural Differences

- **Consumer Preferences:** Varying tastes, preferences, and consumption habits require retailers to adapt their product offerings.
- **Marketing and Branding:** Messaging that works in one country may not resonate in another. Adapting marketing strategies to local cultures is crucial.

2. Regulatory and Legal Barriers

- **Compliance with Local Laws:** Different countries have unique regulations related to labor, safety, taxation, and environmental standards.
- **Trade Restrictions:** Tariffs, import/export restrictions, and customs regulations can complicate the supply chain.

3. Supply Chain Management

- **Logistics and Distribution:** Managing a global supply chain involves coordinating transportation, warehousing, and distribution across multiple countries, each with its own infrastructure and challenges.
- **Currency Fluctuations:** Changes in exchange rates can impact costs, pricing strategies, and profit margins.

4. Economic and Political Instability

- **Market Volatility:** Economic downturns or political instability in a country can disrupt business operations and affect consumer spending.
- **Regulatory Changes:** Sudden changes in government policies or regulations can impose unexpected costs or barriers to entry.

5. Competition

- **Local Competitors:** International retailers often face strong competition from established local players who have a deeper understanding of the market.
- **Pricing Pressures:** Competing with local retailers on price can be difficult, especially if they have lower operating costs.

6. Technological Challenges

- **Digital Infrastructure:** The level of digital infrastructure varies greatly between countries, impacting e-commerce, mobile payments, and digital marketing.
- **Cybersecurity Risks:** Expanding into new markets can expose retailers to new cybersecurity threats and data protection regulations.

7. Human Resource Management

- **Talent Acquisition:** Finding and retaining skilled employees who understand both the local market and the global business is challenging.
- **Cultural Integration:** Managing a diverse workforce across different cultures requires effective communication and understanding of local work practices.

8. Localization vs. Globalization

- **Balancing Act:** Retailers must strike a balance between maintaining a consistent global brand and adapting to local markets. This includes decisions around product offerings, store formats, and marketing strategies.

9. Customer Service and Experience

- **Consistency:** Delivering a consistent customer experience across multiple countries can be difficult due to variations in service expectations.
- **Localization:** Tailoring customer service approaches to align with local languages, customs, and expectations is essential.

10. Environmental and Sustainability Issues

- **Sustainable Practices:** Different countries have varying levels of environmental awareness and regulation, impacting supply chain practices and consumer expectations regarding sustainability.
- **Waste Management:** Managing waste, packaging, and recycling processes in accordance with local laws and consumer expectations can be complex.

RECENT TRENDS IN GLOBAL RETAILING:

1. E-commerce and Omnichannel Retailing

- **Rapid Growth of E-commerce:** The global shift towards online shopping has accelerated, driven by convenience, a broader selection of products, and the impact of the COVID-19 pandemic.
- **Omnichannel Strategies:** Retailers are integrating their online and offline channels to provide a seamless shopping experience. This includes options like "buy online, pick up in-store" (BOPIS) and "buy online, return in-store" (BORIS).

2. Digital Transformation

- **AI and Personalization:** Retailers are using artificial intelligence (AI) to enhance customer experiences through personalized recommendations, dynamic pricing, and chatbots.
- **Augmented Reality (AR) and Virtual Reality (VR):** These technologies are being used to create immersive shopping experiences, allowing customers to visualize products in their space or try on items virtually.
- **Data Analytics:** Retailers are leveraging big data to gain insights into customer behavior, optimize inventory management, and improve decision-making.

3. Sustainability and Ethical Retailing

- **Eco-friendly Products:** There is growing demand for sustainable and ethically sourced products. Retailers are focusing on reducing their carbon footprint, minimizing waste, and offering products with transparent supply chains.
- **Circular Economy:** The rise of the circular economy model encourages the reuse, recycling, and repurposing of products, leading to the growth of second-hand retail, rental services, and product refurbishment.

4. Global Supply Chain Innovations

- **Reshoring and Nearshoring:** To reduce risks and improve supply chain resilience, some retailers are moving production closer to home markets, reducing reliance on distant suppliers.
- **Sustainable Supply Chains:** There is an increasing focus on ensuring that supply chains are not only efficient but also sustainable and socially responsible.

5. Retail-as-a-Service (RaaS)

- **Pop-up Shops and Experiential Retail:** Retailers are exploring flexible retail spaces, such as pop-up shops, to create unique experiences and engage with customers in new ways.
- **Subscription Services:** Subscription models, offering curated product selections on a regular basis, are becoming popular across various retail sectors, including fashion, beauty, and food.

6. Health and Wellness Retailing

- **Focus on Health Products:** The pandemic has heightened consumer interest in health, wellness, and hygiene products, leading to a surge in demand for health-related goods and services.
- **Fitness and Wellness Integration:** Retailers are increasingly incorporating fitness and wellness into their offerings, from selling health-focused products to providing wellness-related services.

7. Localization and Hyper-Personalization

- **Local Sourcing:** Consumers are increasingly valuing locally sourced products, leading retailers to emphasize local brands and suppliers.
- **Hyper-Personalization:** Beyond basic personalization, retailers are leveraging AI and data analytics to offer highly individualized experiences, from tailored product recommendations to personalized marketing messages.

8. Social Commerce

- **Shopping via Social Media:** Platforms like Instagram, TikTok, and Facebook are becoming integral to retail strategies, allowing consumers to discover and purchase products directly through social media.
- **Influencer Marketing:** Influencers continue to play a significant role in driving product discovery and sales, particularly among younger demographics.

9. Increased Focus on Customer Experience

- **Experiential Retail:** Retailers are focusing on creating memorable in-store experiences that go beyond traditional shopping, incorporating entertainment, education, and social interaction.
- **Customer Service Innovation:** Enhanced customer service, supported by AI and other technologies, is becoming a critical differentiator in a competitive market.

10. Rise of New Retail Models

- **Direct-to-Consumer (DTC):** Many brands are bypassing traditional retail channels to sell directly to consumers online, offering a more personalized and cost-effective shopping experience.
- **Marketplaces and Aggregators:** Online marketplaces like Amazon, Alibaba, and niche aggregators are becoming dominant, providing a platform for a wide range of products and brands.

11. Contactless and Cashless Payments

- **Digital Payments:** The adoption of digital wallets, contactless payments, and other cashless options is growing, driven by convenience and safety concerns.
- **Cryptocurrency in Retail:** Some retailers are beginning to accept cryptocurrencies as payment, reflecting the growing mainstream acceptance of digital currencies.

12. Global Expansion of Retail Giants

- **Emerging Markets:** Retail giants are expanding into emerging markets where there is significant growth potential, particularly in Asia, Africa, and Latin America.
- **Localization of Global Brands:** As they expand globally, retailers are increasingly localizing their offerings to better align with regional consumer preferences and cultural nuances.

4. CONCLUSION

Many of the world's most successful businesses, including Tesco, Wal-Mart, and Zara, have risen to prominence thanks to incredibly efficient supply chains. The keys to success are fewer suppliers, built-in flexibility, the use of cutting-edge technology, and, last, relationship management. To succeed in international markets and leverage the power of their brands, merchants must be market-oriented. As their foreign presence grows, retailers must learn to manage the divestment process so that it does not harm the company's main image while also managing the public relations ramifications of divestiture.

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