INTERNATIONALIZATION OF RETAILING

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Abstract

Integration and globalization of world market have resulted in retail trade internationalization. In many developed countries, the retail trade is faced with the problem of limited sales growth for the sake of saturation on the domestic market, and the enter on overseas markets is seen as a sustainable growth strategy. Therefore, this study was initiated by the basic research problem: increasing growth through internationalization of business.

This paper aims to investigate and present the international activities of the European and global retailers and thus to show that the internationalization of retailing enables higher growth. During studies there are used different scientific methods: normative methods, data collection methods, content analysis, comparative, statistical, generic and other methods. Methods of data collection focused on the use of secondary data from books, magazines and websites.

The research results show that the trend of internationalization of retailing is significantly present in European retailers and sales abroad represents a significant proportion of total sales and growth. However, top retailers the majority of their sales perform on the european market. The internationalization of retailing in the US is significant, but not as intense in developed EU countries. The internationalization of retailing in Japan is evident, but less than in Europe and the United States.

Although, there is no doubt that the retail internationalization rhytm is speeded up, the majority of retailers realizes the maximum percentage of its turnover on the home market.

Key words: internationalization, trade, retail, globalization, market

1. INTRODUCTION

The trend of business globalization has actualized the topic about the international retail sale area. Certain problems in working on the home market have had such an influence on many retailers that they consider entering the foreign markets, thinking of it as a viable growth strategy. These problems include: maturity on the home market, improvement of communication technologies, financial conditions, decrease of free trade barriers, changing the retail sale form through joining and aquisition.

„With theprocess of retail internationalization gaining momentum, retailing is fast to become a global industry. Indeed, the majority of distinguished world retailers already carries out its major sale part as part of international operations“(Goldman, 2001, p. 221) .

The internalization of retail trade has speedy growth. In 1992 there were over 1.321 international institution in European Community in relation to 120 international institution in 1970 (McGoldrick & Davies, 1995, p. 22).

Internalization is present in all retail sector: foodstuff, non foodstuff, mixed and specialized trade, bid and small shops, etc. However, export retail shapes are the most common shapes which stay dominant in their countries.

This paper presents the international activities of the European and global retailers aiming to show that the internationalization of retailing enables higher growth. In the first part, the study shows the international activities of European retailers through their sales abroad. This part of the study shows that the trend ofinternationalization ofretailingissignificantlypresent inEuropeantopretailers.

In the second part, the study shows the international activities of top 250 global retailers. This part of the study shows that European global retailers far more internationalized business than other world global retailers.

In the third part, the study shows the international retail alliances. This part of the study shows that international alliances are becoming a more and more present part of the retail image in the European Union.

Although, there is no doubt that the retail internationalization rhytm is speeded up, the majority of retailers realizes the maximum percentage of its turnover on the home market.

2.INTERNATIONAL ACTIVITIES OF EUROPEAN RETAILERS

Removing barriers for trade between national markets and forming a free European market, has provided a larger competitive environment and speeded up the growth rate. The process of retail internationalization was speeded up in Europe, especially since the late 1980s. The free European market has speeded up the retail cross-boarder expansion within the European Union (Akehurst & Alexander, 1995, p. 44).

Retail internationalization is usually found on geographic ground of North-South and West-East, in other words retail sale companies from the North part of the European Union often enter markets from the South part of the European Union, as well as companies from the West part of the European Union enter markets from the East part of the European Union. Nevertheless, in 1990 France, Great Britain and Germany represented two-thirds of international operations in Europe (Mc Goldrick & Davies, 1995, p. 23).

International activities of European retailers can be seen in the following table:

Table 1 Europe – Top 10 Food Retailers, 2013.

Rank	Retailer	Home Country	Turnover International [Billion EUR]	Domestic Sales [Billion EUR]	Foreign Sales [%]
1.	Tesco*	UK	79.1	52.6	33.5%
2.	Carrefour	France	74.9	35.4	52.7%
3.	Schwarz	Germany	74.0	30.9	58.2%
4.	Metro	Germany	67.3e	25.6	62.0%
5.	Aldi	Germany	64.7	25.5	60.6%
6.	Rewe	Germany	50.6	36.2	28.5%
7.	Auchan	France	48.1	20.6	57.2%
8.	Edeka	Germany	46.2	46.2	0.0%
9.	E. leclerc	France	36.5	33.9	7.1%
10.	Sainsbury`s	UK	28.3	27.9	1.4%
	Top 10		**569.7**	**334.8**	**41.2%**

* Fiscal year 2013.
e = estimate
Source: Author's construction, Data: Top Food Retailers in Europe, [available at: http://retail-index.com/Sectors/FoodRetailersinEuropeandworldwide.aspx access June 04, 2014, and Top 25 retailers in Europe, [available at:http://www.retail-index.com/HomeSearch/TopretailersinEuropebycountry.aspx access June 04, 2014.].

From the previous table it is visible significantly high turnover at leading food retailers. However, it is interesting that the big part of the turnover (41.2%), the leading food retailers realized on foreign market.Of total 10, five of them have bigger turnover with foreign countries, than in domestic market. However, top retailers the majority of their sales perform on the european market, which illustrates the next table:

Table 2 Top 10 Food Retailers in Europe, 2012.

Rank by Turnover in Europe	Retailer	Home Country	Turnover International Billion EUR	Turnover in Europe Billion EUR	% Retail Sales Outside Europe
1.	Schwarz	Germany	69.5	69.5	0.0%
2.	Tesco*	UK	89.2	65.2	26.9%
3.	Carrefour	France	76.8	56,.2	26.8%
4.	Aldi	Germany	66e	55e	16.7%
5.	Rewe	Germany	49.7	49.7	0.0%
6.	Metro	Germany	66.7	45.4	31.9%
7.	Edeka	Germany	45	45	0.0%
8.	E. leclerc	France	47	44	6.4%
9.	Auchan	France	44	41	6.8%
10.	ITM	France	34	34	0.0%

* Fiscal year 2013.
Source: Author's construction, Data: Top Food Retailers in Europe, [available at: [available at: www.retail-index.com,access November 24, 2013.].

Analysis of the previous table shows that the leading European retailers most of their sales carry out at the European market. Of the ten leading retailers in Europe, six of them in addition to the European market also sale on the global market, while the remaining four retailers are selling exclusively to the European market. These data led to the notion that the internationalization of retail is intensified in the area of a single economic space of the European Union, which is a result of a single business regulation at the level of the EU. Also, a large number of European retailers is located within the top 250 global retailers.

Retailers from Western Europe have a leading position on the market in Central and Eastern Europe, which can be seen from the following table:

Table 3 Central and Eastern Europe: Top 20 Grocery Retailers, 2011.

Rank	Company	Country	Number of outlets	Banner sales [Million EUR]	Food retail format sales [Million EUR]
1.	Metro Group	Germany	464	17,745	3,068
2.	Schwarz Group	Germany	1,958	14,016	14,016
3.	X5 Retail Group	Russia	3,011	12,774	12,768
4.	Auchan	France	193	9,478	9,478
5.	Magnit	Russia	5,309	9,458	9,433
6.	Tesco	UK	1,066	8,919	8,702
7.	Jeronimo Martins	Portugal	1,916	6,259	6,241
8.	Carrefour	France	1,311	6,108	6,108
9.	Rewe Group	Germany	1,353	5,238	5,200
10.	COOP EURO	CE	10,883	4,307	4,307

Source: Planet Retail Ltd - Top 20 CEE Grocery Retailers, [available at:http://www.google.ba/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CDkQFjAC&url=http%3A%2F%2Fwww1.planetretail.net%2Fsites%2Fdefault%2Ffiles%2Fpdfs%2FPlanetRetailDailyNews-78704.pdf&ei=4sKUU_CAKcXjO_n6gZAB&usg=AFQjCNFWN9MW6NVklynOwWG7yncDXWJdmQ access June 08, 2014.].

Previous table shows that of the Top 20 Grocery Retailers in the Central and Eastern Europe, 10 of them are from Western Europe. From the Top 10 Grocery Retailers in the Central and Eastern Europe, 7 of them are from Western Europe (3 of them are from Germany). Thus, the Western European retailers are leading retailers on the market in the Central and Eastern Europe.

3. INTERNATIONAL ACTIVITIES OF GLOBAL RETAILERS

The leading World international retailers in 2011, according to the turnover total and the number of countries they do business in, can be seen in the following table:

Table 4 Top 10 retailers worldvide, 2011.

Top 250 rank	Name of retailer	Country of origin	Retail revenue Million USD	Retail revenue growt	Number countries of operation	% Retail revenue from foreign operations
1.	Wal-mart	US	446,950	6.0%	28	28.4%
2.	Carrefour	France	113,197	- 9.8%	33	56.7%
3.	Tesco	UK	101,574	5.8%	13	34.5%
4.	Metro	Germany	92,905	- 0,8%	33	61.1%
5.	Kroger	US	90,374	10.0%	1	0.0%
6.	Costco	US	88,915	14.1%	9	27.0%
7.	Schwarz	Germany	87,841	5.8%	26	55.8%
8.	Aldi	Germany	73,375	3.7%	17	57.1%
9.	Walgreen	US	72,184	7.1%	2	1.5%
10.	The Home Depot	US	70,395	3.5%	5	11.4%
	Top 10		1,231,710	4.4%	16.7	32.9%
	Top 250		4,271,171	5,1%	9.0	23.8%
	Top 10 share of Top 250		29.0%			

Source: Global Powers of Retailing, [available at: http://www.stores.org/global-powers-retailing-top-250-highlights-1,access January 04, 2014.].

From the previous table we can see that only four of the top 10 retailers worldvide achieve a greater turnover abroad than in the domestic market. It also shows that European retailers have a higher degree of internationalization than U.S. retailers. European leading retailers have a higher percentage of sales abroad and operate in a larger number of countries, than the American retailers. On average, the Top 10 retailers operated in 16.7 countries in 2011. In total, 32.9% of sales came from outside retailers´ home countries. Within the top 10 retailers worldvide, five retailers are from Europe (three German, one French and one British retailer).

Aggregate retail revenue of Top 250 amounted to 4.27 trillion USD in 2011. Percent of Top 250 retail revenue from foreign operations amounted to 23.8%. Average number of countries in which Top 250 companies have retail operations was 9. Top 250 Global retailers by Region, can be seen in the following table:

Table 5 Top 250 Global retailers by Region, 2011.

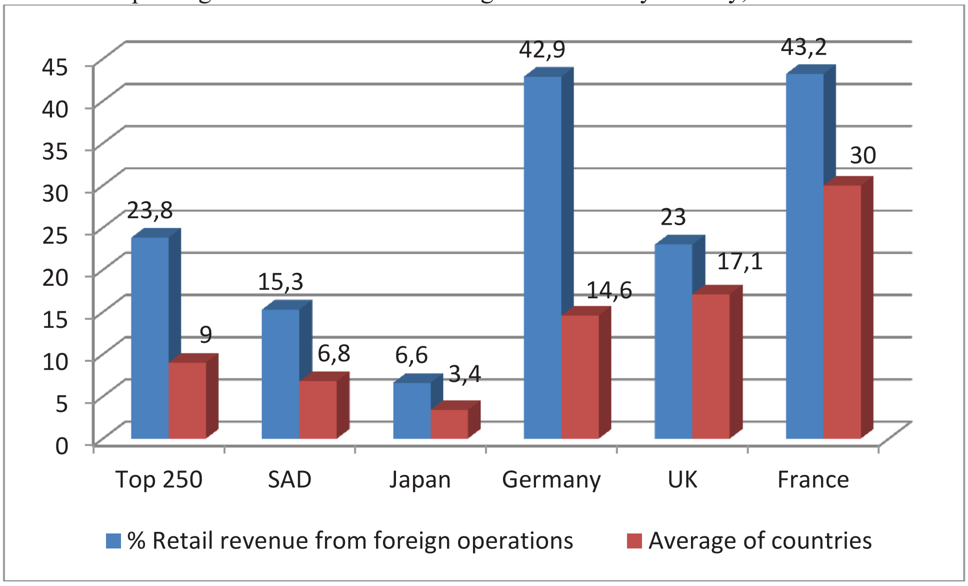
Region	Number companies	Retail revenue Million USD	Number countries of operation	% Retail revenue from foreign operations
Europe	88	1,644,280	15.0	38.2
North America	86	1,849,344	6.2	15.3
Latin America	11	93,698	2.0	17.8
Asia/Pacific	58	638,522	5.0	11.6
Africa	7	45,318	10.3	26.9
Top 250	250	4,271,250	9.0	38.0
SAD	76	1,726,188	6.8	15.3
Japan	40	384,320	3.4	6.6
Germanny	18	449,586	14.6	42.9
UK	15	274,800	17.1	23.0
France	13	397,215	30.0	43.2

Source: Global Powers of Retailing, [available at: http://www.stores.org/STORES%20Magazine%20January%202013/global-powers-retailing-geographical-analysis?page=2,access January 07, 2014.].

Previous table shows that in Europe and the United States concentrated two-thirds of the 250 world's leading retailers, who earn four-fifths (79%) of the total turnover of the top 250 global retailers.

Comparison of the internationalization of global retailers from leading countries illustrates the following picture:

Picture 1 Top 250 global retailers – Level of globalization by country, 2011.



Source: Autor`s constructions, Data: Global Powers of Retailing Top 250, [available at: http://www.stores.org/STORES%20Magazine%20January%202013/global-powers-retailing-geographical-analysis?page=2,access January 07, 2014.].

Previous image shows that retailers from three leading European countries have a much higher degree of internationalization than retailers from the U.S. and Japan.

4. INTERNATIONAL RETAIL ALLIANCES

Intensive processes of retail internationalization have brought about a horizontal collaboration and joining of retail from different countries in Europe, which resulted in the establishing of international retail alliances. International retail alliances are a fairly new phenomenon, but regardless of that they exist in many forms. The Institute of Grocery Distribution 1992 identified four types of alliances which have developed over recent years:

- Alliances established on development grounds, as an agreement between retailers on cooperation in specific projects, in many ways as a way of entering the national market;
- Buying groups, where the members collaborate in buying, which increases their influence on the producer;
- Alliances established on knowledge and skills, where retailers engage in cognition and technical sense with others; and
- Multi-functional groups, which combine the elements of the previous three types of alliances and where individual members can increase strategic advantages by engaging in expertises, such as information technologies and systems (Akehurst & Alexander, 1995, p. 47).

Advantages gained by many members of international alliances are numerous, such as: a joint voice in trade politics, increase of buying power by economy of scale, brand/development, introducing and transfer for paneuropean retail brands, technology knowledge and systems, knowledge improvement, market entry protection, a great readiness of international growth and geographic market expansion, competitive position improvement and so on.

International alliances are becoming a more and more present part of the retail image in the European Union. International alliances are a dominating part of the European food retail, realizing over 300 billion euros from the total turnover including over 130.000 retail facilities in all nations of the European Union (McGoldrick & Davies, 1995, p. 135).

According to the evaluations made public by EMD, the leading retail alliance in Europe, the top 15 retailers and retail alliances in Western and Central Europe have a combined share of 77% of the sales value (Sales value 803.6 billion EUR in 2002.).[12]

European Marketing Distribution (EMD) is the leading European retail alliance of independent retailers. The alliance of 15 members, bundling 500 players in the grocery retail sector in 16 countries, covers 150.000 points of sales, cumulating a potential consumer turnover of 140 billion Euro. The cooperation between the

[12]Carmen Balan: The Alliances of European Retailers and Their Effects in the Field of Marketing and Supply Chain, [available at: http://www.rejournal.eu/Portals/0/Arhiva/JE%2025%20bis/JE%2025%20-%20Balan.pdf ,access January 13, 2014.].

members of EMD and their affiliated retail organisations creates attractive and competitive conditions for the independent European grocery retailers.[13]

5. CONCLUSION

World market integration and globalization resulted in trade internationalization, especially of its retail sector. Removing barriers for trade between national markets and forming a free European market, has provided a larger competitive environment and speeded up the growth rate. The free European market has speeded up the retail cross-boarder expansion within the European Union.

The trend ofinternationalization ofretailingissignificantlypresent inEuropeanretailers. However**,** retailersthe majority oftheirsales performon theeuropeanmarket**.** These dataled to the notionthat theinternationalization ofretailisintensifiedin the area ofa single economic spaceof the European Union**,** which is a result ofa singlebusinessregulationat the level ofthe EU.

In the Europe and in the United States concentrated two-thirds of the 250 world's leading retailers, resulting in a four-fifths (79%) of total turnover of the top 250 global retailers. Percent of Top 250 retail revenue from foreign operations amounted to 23.8%. Average number of countries in which Top 250 companies have retail operations was 9. From the previous analyzes can be seen that only four of the top 10 retailers worldvide achieve a greater turnover abroad than in the domestic market. It also shows that European retailers have a higher degree of internationalization than US and Japanese retailers. European leading retailers have a higher percentage of sales abroad and operate in a larger number of countries, than the American and Japanese retailers.

Intensive processes of retail internationalization have brought about a horizontal collaboration and joining of retail from different countries in Europe, which resulted in the establishing of international retail alliances. European Marketing Distribution (EMD) is the leading European retail alliance of independent retailers. The alliance of 15 members, bundling 500 players in the grocery retail sector in 16 countries, covers 150.000 points of sales, cumulating a potential consumer turnover of 140 billion Euro. The cooperation between the members of EMD and their affiliated retail organisations creates attractive and competitive conditions for the independent European grocery retailers.

In the end, this paper has shown that the leading European and world retailers generate a significant part of sales abroad and internationalization of retailing enables higher growth.

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