

INTENSIVE PROCESSES OF RETAIL INTERNATIONALIZATION

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ABSTRACT

Integration and globalization of world market have resulted in trade internationalization, especially in the sector of retailing. Global trade, and in particular global retail, has become more intensive. Free European market has speeded up cross border retail expansion within European Union. Retail internationalization, with increased tempo, has redefined relationships in distribution channels on a global scale.

Even though the speed of retail internationalization is, without a doubt, increased, most of the retailers still make the biggest percent of their turnover in the domestic markets. Intensive processes of retail internationalization have resulted in horizontal cooperation and aligning of retailers from different European countries as well, leading to international retail alliances formations.

Despite the fact that trade companies in developed countries enter new markets mostly for increase in market share and profit, internationalization of trade also represents a good developing opportunity for transitional countries. Through trade internationalization, countries in transition will ensure capital and new knowledge, which they do not have. Besides, trade internationalization will have positive impact on internationalization and development of entire economies of transitional countries.

Retail sector in Bosnia and Herzegovina has to continue its deep transformation from traditional, national distributive industry to organized and concentrated international retail. There are two main ways in retail internationalization of Bosnia and Herzegovina:

- Penetration of international retailers into BiH market

- Orientation of BiH retailers on international markets in closer region

Yet, more serious movement of BiH retail sector towards the internationalization can be expected after joining European economic integrations. European experience shows that more significant shift towards the internationalization within Europe appeared after formation of free European market and EU.

Joining the European economic integrations for BiH would also mean a safer and easier penetration on BiH market for international companies, which would lead to more significant economic growth and increase in consumers' potential.

On a global scale, internationalization of trade should lead to more integrated and uniform development of a whole world trade.

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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 acquisition.

„With the *process 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, page 221).

Competitive advantages of retail companies in Bosnia and Herzegovina could be improved by their internationalization, in the way that the country ambience becomes remarkable for the competitive advantages of foreign companies which would transfer part of their businesses or develop new ones in our country. Bosnia and Herzegovina cannot provide a large market but it can be the international business area, because of its favourable position and the competitive advantages which will need to be developed.

2. INTENSIVE PROCESSES IN RETAIL INTERNATIONALIZATION

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. (Gary and Alexander, 1995, 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. (McGoldrick, 1995, 23).

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

Table 1: Europe: Top 15 Grocery Retailers, 2006

Company	Country of Origin	Retail Banner Sales 2006 (USD mn)	Domestic Sales (%)	Foreign Sales (%)
Carrefour	France	122,214	47	53
Metro Group	Germany	87,360	45	55
Tesco	UK	86,827	75	25
Ahold	Neth.	77,546	18	82
Rewe	Germany	56,448	68	32
Casino	France	55,298	58	42
Schwarz Group	Germany	55,160	54	46
Aldi	Germany	54,104	53	47
Auchan	France	53,608	50	50
Edeka	Germany	48,525	93	7
Leclerc	France	40,435	94	6
ITM (Intermarché)	France	36,931	90	10
Sainsbury	UK	36,071	100	0
Tengelmann	Germany	31,566	58	42
Delhaize Group	Belgium	26,004	23	77

Source: Top 30 Grocery Retailers Worldwide, 2006, Planet Retail Ltd - www.planetretail.net Access (22 November 2008).

The leading World international retailers in 2007, according to the turnover total and the number of countries they do business in, can be seen in the following table:

Table 2: Ten leading World international retailers, 2007.

Top 250 Rank	Name of Company	Country of Origin	2007 Retail sales (US\$ mil.)	Number countries of operation
1	Wal Mart	US	374,526	14
2	Carrefour	France	112,604	33
3	Tesco	UK	94,740	13
4	Metro	Germany	87,586	32
5	Home Depot	US	77,349	9
6	Kroger	US	70,235	-
7	Schwarz	Germany	69,346	25
8	Target	US	63,367	-
9	Costco	US	63,088	8
10	Aldi	Germany	58,487	15

Source: Global Powers of Retailing http://www.nxtbook.com/nxtbooks/nrfe/stores_globalpowers0109/ Access (14 March 2009).

On average, the Top 250 retailers operated in 6.8 countries in 2007. In total, 21,3% of sales came from outside retailers' home countries. (Top 250 Retailers, 2009, http://www.nxtbook.com/nxtbooks/nrfe/stores_globalpowers0109/).

The leading World grocery retailers in 2006, according to sales percentage in foreign countries, can be seen in the following table:

Table 3: Worldwide: Top 15 Grocery Retailers, 2006

Rank/ Company	Country of Origin	Retail Banner Sales 2006 (USD mn)	Domestic Sales (%)	Foreign Sales (%)
1 Wal-Mart	USA	376,430	78	22
2 Carrefour	France	122,214	47	53
3 Metro Group	Germany	87,360	45	55
4 Tesco	UK	86,827	75	25
5 Seven & I (2)	Japan	79,101	66	34
6 Ahold	Neth.	77,546	18	82
7 Kroger	USA	69,549	100	0
8 Sears	USA	64,833	88	12

9 Costco	USA	64,737	80	20
10 Target	USA	62,584	100	0
11 Rewe	Germany	56,448	68	32
12 Casino	France	55,298	58	42
13 Schwarz Group	Germany	55,160	54	46
14 AEON (2)	Japan	55,157	90	10
15 Aldi	Germany	54,104	53	47

Source: Planet Retail Ltd - <http://www.planetretil.net/catalog/bulletin/198/198301.htm> Access 06 March 2010.

Although, there is no doubt that the retail internationalization rhythm is speeded up, the majority of retailers realizes the maximum percentage of its turnover on the home market. There are still many problems that hinder internationalization, although many are decreased. 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. (Gary and Alexander, 1995, 27).

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 protec-

tion, 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, 1995, 135).

3. RETAIL INTERNATIONALIZATION OF BOSNIA AND HERZEGOVINA

World market integration and globalization resulted in trade internationalization, especially of its retail sector. More intensively coming on the scene is the global trade, especially its global retail sector.

Bosnia and Herzegovina retail has to continue its great transformation in the transition from traditional, national distributive industry to an organized and concentrated international retail.

Retail internationalization was expected in the process of state distribution business privatization. Law regulations have ensured an equal participation in privatization for both, the domestic and the foreign clients. However, the privatization took place on entity levels, and not on the Bosnia and Herzegovina state level and this is why a unique and effective potential client animation has failed. Moreover, foreign clients were deterred by an unstable political situation in Bosnia and Herzegovina.

Therefore, an adequate state politics of foreign company attraction has failed, although we had a positive example of the Czech Republic and Slovakia in which the government had direct negotiations with foreign companies and provided a significant entry of foreign companies in the process of state distribution business privatization.

From a total of 12.347 state distribution businesses in the Federation of Bosnia and Herzegovina in 2008, 10.572 (85,6%) are with domestic capital, 948 (7,7%) with foreign capital, 371 (3%) with mixed capital, and 456 (3,7%) with investments from the former republics of the Socialist Federal Republic of Yugoslavia (SFRY). (Federal Bureau of Statistics: 2009, <http://www.fzs.ba>).

A very low trade internationalization level of Bosnia and Herzegovina can be seen in the previous data, but also an allusion of a started Bosnia and Herzegovina trade internationalization process.

Competitive advantages of retail companies for sale in Bosnia and Herzegovina could be improved by their internationalization, in the way that the country ambience becomes remarkable for the competitive advantages of foreign companies which would transfer part of their businesses or develop new ones in our country. Bosnia and Herzegovina cannot provide a large market but it can be the international business area, because of its favourable position and the competitive advantages which will need to be developed.

Foreign partners can find investment interests in Bosnia and Herzegovina retail by the following:

- Direct access to the Bosnian and Herzegovinian final consumption market through partner or private retail network, so that a direct and effective contact with the end consumer can be established
- Cutting distribution expenses on the Bosnian and Herzegovinian market;
- Direct distribution function control through existing of a personal distribution canal;
- Acquiring a specific market position by entering a new business area and establishing competitive advantages;
- International retail sale development;
- Economy of scale increase and profit increase.

Bosna and Herzegovina trade interests for retail internationalization are these:

- Providing recent capital for restoration, reconstruction and modernisation of retail capacities, range completion and inventory financing;
- Introducing retail sale innovations, especially new management systems and management skill, development and modernization of information technology and inclusion in the international information system;
- Inclusion in international „know-hows“;
- Establishing competitive advantages by inclusion in many „value chains“ which animate foreign companies;

- Distribution and promotion canal rationalization can be fulfilled by international orientation, as well as accomplishing contentment of the high market demands.

There are two ways of Bosnia and Herzegovina's retail internationalization and these are:

1. Internationalization on the existing Bosnia and Herzegovina market by:

- a) Direct foreign investments in Bosnia and Herzegovina's retail sale;
- b) Joint investments with foreign companies on Bosnian and Herzegovinian territory;
- c) Licence adoption;
- d) Concessions; and
- e) Franchise adoption.

2. Internationalization by new market accession in the region – an opportunity for the Bosnian and Herzegovinian companies to adopt and apply a foreign market orientation, principally in regional proportions by:

- a) Investments in personal companies or in personal retail sale formats abroad through acquisitions or independent start (transnational companies);
- b) Investments in a joint company - joint investments abroad (multinational companies)
- c) Licence sale;
- d) Concession; and
- e) Giving franchise (Mešić, 2007, 372).

Foreign companies can use different alternative market entry strategies in Bosnia and Herzegovina's market. Experiences of retail companies for sale from Great Britain show that in the period from 1960-1993 internal growth was marked as being the major entry mechanism which implicates 41,3 % of all actions (379 actions), followed by acquisitions with 23,7 % (218 actions), while franchising was the third entry mechanism according to scope with 21 % (193 actions). Over recent years, a significant franchising as well as favour growth activity has been noticable, being regarded as a viable management control method (McGoldrick, 1995, 60).

Nevertheless, a serious Bosnia and Herzegovina retail initiation toward internationalization can be expected after Bosnia and Herzegovina entering European

economic integrations. European experience has shown that a serious initiation toward an internationalization within Europe was marked just after forming the free European market and the European Union, by which barriers for free goods, labour force and capital circulation were removed. The Bosnian and Herzegovinian entry in the European economic integration would bring about a free and safe foreign company entry in the Bosnian and Herzegovinian market, which would lead to a remarkable economic growth and consumer potential growth.

By entering new markets, foreign retail companies analyze the profitability of entering, and for that a specific level of consumer potential is needed. Hence, it is important to meet the requirements for entering the European economic area, not only for retail development and internationalization but for the whole economy. In that way, Bosnia and Herzegovina would be included into the unitary European economic area and by specific comparative advantages it would lead to a faster economic development and transition as well as trade, especially its retail sector.

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.

Nevertheless, when compared to production, retail internationalization remains partial and marginal. However, an initiation toward internationalization speeds up and the internationalization rate is growing. Intensive processes of retail internationalization have brought about a horizontal collaboration and joining of retail sale from different countries in Europe, which resulted in the establishing of international retail alliances.

Bosnia and Herzegovina's retail has to continue its great transformation in the transition from traditional, national distributive industry to an organized and concentrated international retail sale. There are two ways of Bosnia and Herzegovina retail internationalization and these are:

1. Internationalization on the existing Bosnia and Herzegovina market – foreign company entry in the Bosnian and Herzegovinian market;

2. Internationalization by new market accession in the region – an opportunity for the Bosnian and Herzegovinian companies to adopt and apply a foreign market orientation, principally in regional proportions.

Nevertheless, a serious Bosnia and Herzegovina retail initiation toward internationalization can be expected after Bosnia and Herzegovina entering European economic integrations.

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