THE IDENTIFICATION OF THE RETAIL INTERNATIONALIZATION ELEMENTS EFFECTED UPON CONSUMERS

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ABSTRACT
The paper theoretically justified most important elements having direct effect upon consumer. Purpose of research is to develop theoretical model of retail internationalization elements effect upon consumers. by analyse retail internationalization process, retailers fails and success topics, consumer expectations was used general scientific methods of research – scientific literature, comparative and systematic logical analysis. The most important participant in the process of the internationalisation of retail trade is the consumer who actually determines the success or failure of a retail trade company. The analysis of the results of the survey of Lithuanian consumers allows seven principal elements of the process of the internationalisation of retail trade which potentially have a direct effect on the consumer to be identified: the format of the store, the range of the goods, the price, the country of origin of the product, advertising, communication and the image.

KEYWORDS: internationalisation, retail trade, impact, consumer.

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Introduction
When entering the market of a foreign state any international retail trade company has a number of issues to consider, one of which is the consumer. Before entering the market of a foreign country any trade company should have surveyed the attitudes of the consumers in the market towards the entrant company and be well aware of the expectations of the consumers in that market. Most trade companies around the world do perform such measures; however research publications on the subject are very scarce and the results of the surveys in most cases remain a commercial secret.

An overview of research literature in the area showed that significant volumes of surveys have been conducted in order to analyse European consumer trademarks, ethnocentrism (or the differences between consumers in different countries (Becker, Becker, 1994; Good, Huddleston, 1995; Lascu, Manrai, 1996; Vida, Fairhurst, 1999). Such surveys are very important, as they not only disclose, but also confirm the statement.

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that consumers in different countries differ not only in their lifestyles and culture, but also in their attitudes. The theory of other researchers, e.g. Fournier (1996) is based on an analysis of consumer trademarks; while Hadjimarcou, Bames (1999) surveyed retail trade consumers in cross-border zones. The perception of consumers of the impact of the quality of work upon price was described by Del-Veçchio (2001), Laroche, Pons, Zgolli, Kim (2001); while the same impact upon consumer loyalty, the environment and clientèle was addressed in papers by Bloemer, Odekerken, Schroder (2002), Backstrom, Johansson (2006), Baltas, Argouslidis (2009), and Skameas (2010). Gamble (2009) is the only researcher to have surveyed consumer requirements in China.

Thus, while the issue of consumer attitudes and loyalty has been broadly covered; however, consumer’s attitudes, reaction and expectations regarding an entrant foreign trade company still remain a scarcely researched area. In this context it is justifiable to conclude that surveys of consumer expectations and the degree to which such expectations were met have acquired special relevance and importance, rather than the attitude of the state or of a trade company towards a new foreign entrant.

The scientific problem inherent to the survey is that any research into the process of the internationalisation of retail trade has so far been dedicated to exploring and identifying the potential attitudes of consumers which are of special importance to companies which seek to reduce their number of failures. Any research attempts in the problem have noted the lack of a solid theoretical foundation.

Research object – retail internationalization
The goal of the article is to prepare theoretical model of retail internationalisation effect upon consumers.

The following tasks have been defined to achieve the goal of the present research paper:
• to review the surveys carried out in the area of the effect of the internationalisation of the retail trade process upon the attitudes of consumers;
• to identify the elements of the internationalisation process which potentially have a direct effect on consumers;
• to prepare model retail internationalisation elements.

Methodology: by analyse retail internationalization process, retailers fails and success topics, consumer expectations was used general scientific methods of research – scientific literature, comparative and systematic logical analysis. For the purpose of the present survey the author used the results of a consumer survey conducted in 2013, i.e. before the opening of the IKEA furniture trade centre.

1. Retail Internationalization Process

The process of successfully entering into the market of another country is complex for all companies, even large or well-experienced ones. A number of examples have demonstrated that while in most cases such entries succeed, it is nevertheless necessary to note that, as with any other business, many of them did not manage to avoid failures. A prominent illustration is the widely covered success of the entry of the Tesco retail trade company into the American market (Dawson, Larke, Chul Choi, 2006; Lowe, Wrigley, 2009). It needs to be noticed, however, that the entry of the company into the US market lasted for more than two years. The period was successfully used to conduct comprehensive surveys of consumer attitudes, the assessment of which lead to a solution at the time not available in the market. However, the presence of the company in Ireland or France was by far less successful. Differently than in the American market Tesco was forced to withdraw from Ireland and France in the nineties, and was only able to enter the Irish market successfully at its second attempt.

In 1993, another major global retailer, Carrefour, withdrew from the American market after several years of trading in the USA, and later in 1996 and 2000 (Dupuis, Chul Choi, Larke, 2006) also withdrew from Great Britain and Hong Kong. The withdrawal of those large retailers from the market was largely
caused by the attitudes of consumers towards them as they chose to prioritise the stores of other large trade companies. Wal-Mart entered and established itself in the Chinese, Great British and Mexican markets quite successfully; however, the company was forced to withdraw from Germany, and faced numerous problems in Japan. The case was covered by Humphrey (2007), Pioch, Gerhard, Fernie, Arnold (2009). In the German market the company failed to properly take into account the habits of consumers, while in Japan it disregarded the cultural attitudes of local consumers. A widely covered subject was the withdrawal of retail traders from Chile and other Latin American markets Wrigley, Currach (2003), Bianchi, Arnold (2004), Bianchi (2006), Bianchi, Octale (2006), Palmer, Quinn (2007). Changes in the attitudes of Chilean consumers were partly caused by the adverse attitudes of the local trade companies. These and other examples allow the conclusion to be drawn that overcoming the opposition of local consumers and local trade companies is a challenging task even for large global retailers, which most often opt to withdraw from the market. The British retail company Sainsbury found itself in a similar situation in Egypt (El-Amiz, Burt, 2008).

Alexander, Doherty, Carpenter, Moore (2010) provided the theoretical basis for the consumer receptiveness index. This index shows how consumers perceive a retailer’s country of origin. Consumer receptiveness is expressed by beliefs, attitudes, knowledge and behaviour. The consumer receptiveness towards an incoming foreign trade company may be determined only by conducting a consumer survey before the entry of the company into the market. Even though such a survey would actually disclose only the opinion of consumers about the incoming trade company, it would also indicate their attitudes and expectations. These findings are nevertheless very important in the sense that they may determine the success or failure of even the largest companies in other states (as has been illustrated by the examples given above). The authors of the paper did not carry out an empirical survey and neither did they produce any methodology for identifying the individual components of each receptiveness index; they nevertheless disclosed a possible benefit of the process of internationalisation for consumers through the cultural, socio-economic and market impacts produced by trade companies. The social surveys of consumers carried out by Minahan, Bianchi (2012) in relation to the entry of the American retail company Costco into the Australian market confirmed in practice the idea of the dependence of the consumer receptiveness index upon their culture and behaviour, as well as upon the offers of a foreign entrant, as was suggested by Alexander (2010) and other authors. This survey showed the ways in which retailers and consumers have adapted to each other.

2. The formats of a retail store

Format – a type of a store, including a supermarket, a trade centre, a convenience store, etc. The format of a specific retail store is the individual creation of that store. The format is a competitive “product" created by the company (Mukoyama, Dawson, 2006). The retail format is the store ‘package’ that the retailer presents to the shopper (Michael, Weitz, 2002).

Retail formats can be broadly be classified into two types viz., a) Store format and b) Non-store format. Store formats: Store formats are formats based on the physical store where the vendor interacts with the customer. A super market, convenience store, department store, discount store, category specialist and malls are few examples of the store formats. Non-store: Non-store formats are those forms of retailing where end users are served without meeting them in the physical store. Non-store formats are represented by catalogue and direct mail retailing, telemarketing, television home shopping, direct personal selling, vending machine selling and internet selling. Here, we focus on two such formats namely vending machines and electronic retailing.
Goldman (2001) noticed that changes to the format are rarely researched, despite the format being one of the most important factors in gaining a competitive advantage in a foreign country. As was noted by Dupuis, Prime (1995), the choice of the format depends on the cultural environment of a potential entrant, as well as the internationalisation strategy it selects. Fernie, Fernie (1997) investigated the development of the American format in the context of the British retail market; while Arnold (2000) attempted to assess the prospects for the Wal-Mart format in Great Britain. Guy’s (2001) object of interest was the impact of large formats for leisure time in stores in Western Europe. Burt, Davies, McAuley, Sparks (2005), Humphrey (2007), Reardon, Henson, Berdegue (2007), White, Absher (2007), Burt, Davies, Sparks (2008), Ahlert, Blut, Evanschitzky (2010), Hallsworth, Kervenoael, Elms, Canning (2010), and Swoboda, Berg, Dabija (2014) explored the implementation of the different formats within the process of the internationalisation of retail trade in individual regions of the world, the development of trade centres in developed countries, as well as the evolution of trade formats.

The direct effect upon consumers through the format may take a number of forms, and may be different in different countries. The analysis of scientific literature in the area allowed the principal forms of the format of the direct impact upon consumers to be identified. In most cases those include a convenient location, the size and layout of the store, a convenient car park, attractive interior and exterior, and the additional services offered.

In order to determine the opinion of consumers about a particular store or a trade centre, the present paper distinguished and individually presented the attributes of each impact form (see Fig. 1). Such attributes help consumers to form an image even before they have seen a trade centre or a store. In order to determine the significance of the location to consumers the present paper distinguished two groups of attributes: geographical location, and access methods and time; the size of the format is expressed in terms of the size of the trading floor (in square metres), and the building layout plan. By analogy, a convenient car park was broken down into two groups of attributes: the type of parking lot and the time required to park a car and access the store. The two groups were chosen as they best reflect the level/degree of the car park.

The identification of the indications of the attractiveness of the exterior and interior was a challenging task from a consumer viewpoint, as many consumers appeared not to be familiar with the concept. For the purpose of the present paper the authors chose to individually identify the exterior and the interior attributes in the belief that they will best help to assess their visual parameters. Further, the additional services offered were broken down into free-of-charge and paid for services. The nature of the additional services may also vary from country to country. The present paper identified the additional services which are the most important from the viewpoint of consumers, i.e. the services which are most needed.

3. Other Elements of Retail Internationalization Effect Upon Consumers

Assortment. Another aspect of importance to retail companies intending to enter a foreign market is the assortment of their merchandise. It should be noted that the assortment most often depends on the particular level of development of a country. A trade company’s assortment policy will be different in developing and developed countries. Furthermore, it is necessary to bear in mind differences in the consumer’s perception of the assortment and the need of goods in the different countries.

When assessing the assortment of the future IKEA trade centre, Lithuanian consumers prioritised the fourth form: possibility of selection with respect to price. This result of the survey allows an assumption to be drawn that Lithuanian consumers have a relatively low purchasing power. Another aspect important for consumers is the width and the depth of the range of products. The answer allows the assumption to be made that most consumers not only find a desired product, but could also choose it from the price viewpoint.

Specific conclusions about consumer attitudes may be made on the basis of the forms of the range of goods which includes the width of the assortment, its depth, complexity and the possibility to choose a product with respect to its price. For a consumer seeking just a minimum product basket the depth and the width of
Figure 1. Methods and forms of a possible impact upon consumers of the format
the assortment are likely to be less relevant, while the most important element is the possibility to choose with respect to price. In an opposite case, when the price factor is not the most important to the consumer, the depth, width and complexity of the range of goods become much more important.

Advertising. An inseparable part of the operations of a foreign trade company is advertising. After the trade companies chose a format, a trademark, and a range of goods, another important step is advertising. Although theoretical papers often emphasise the importance and the benefits of advertising for consumers, it is widely known that advertising with a poor content can irritate TV viewers, and that very few consumers actually admire such advertising. Advertising is viewed differently by trade companies and consumers. By using advertising trade companies most often seek to increase their sales and attract as many consumers as possible to a store or a trade centre, while for consumers the final result of a promotion campaign by the trade company is not important. A customer seeks to receive clear, not irritating, moderate, and, at the same time, informative advertising which would make the consumer curious to visit a specific trade centre for the first time or repeatedly.

Therefore, before starting an advertising campaign in a foreign state, trade companies should take into account cultural, social, ethnic and other differences. For such companies it is important to learn the views of consumers in a particular country or region towards advertising, in addition to identifying the aspects most important for advertising which are important for consumers in that country. The attitude of each consumer as an individual or a separate unit towards advertising may be very different.

The previously conducted survey identified four main elements of Lithuanian consumers’ views towards advertising. However, it needs to be noted that such elements are important for the Lithuanian market only, and may be completely irrelevant for a German or a Chinese consumer. A range of important factors to be identified is the type of advertising, the ways such advertising reaches the consumer, whether it produces a positive, neutral or negative impact upon the company’s trademark or the image of the store. Four forms of advertising have been identified – positive, unobtrusive, moderate; information about the range of products, its updating; information about promotional campaigns, information about the services offered. Such forms of advertising were identified for a reason – they are related to the range of goods, the services provided, and at the same time with the information about the goods and services offered.

Image. The image of a retail store has been investigated by a number of authors, e.g. Keaveney, Hunt (1992), Amirani, Gates (1993), and McGoldrick (1998) conceptualised the image and attempted to measure and demonstrate the change of the image from viewpoints of space and time. Bloemer, Ruyter (1998), Burt, Carralero-Encinas (2000), and Giraldi, Spinelli, Merlo (2003) researched the relationship between the image of a store, consumer satisfaction with that store and their loyalty to the store. The surveys showed that grocery stores with a separate section for food products from another country (culture) were more favourably viewed by consumers. The opinions of consumers and their assessments have a specific importance in building up the image of a trade company or a store. If the impression a visitor has of a store from others is confirmed after his visit to the store, this image is retained for a long time in the minds of other visitors. And on the contrary, when advertising seeks to unreasonably overstate the image of a store or a trade centre, the result may be the opposite. Consumers may have built up the image of a trademark or a format type from their visits in other countries.

In their research articles Burt et al. (2007) conceptualised the image of retail trade and disclosed the role of the culture dimension, i.e. how the image of a retail store is perceived by consumers in different cultures. In order to find out what the IKEA store has to specifically consider when opening outlets in other countries, the company uses a combined photography and interview method. The method was applied to Chinese, British, Greek and Swedish consumers. The results of the survey showed that the perception of consumers of specific elements of the image is determined by different cultures, i.e. consumers in different countries perceive and interpret the same image in a picture differently. Therefore, it may be concluded that the cultural aspects of an individual country are important for IKEA.

In summary, it may be concluded that the on-going changes in the formation of a store’s or a trade centre’s image have not essentially changed its significance or relevance, although the major global trade
companies have been increasingly often applying standardised marketing programmes as part of their internationalisation process. Another factor of growing significance is the global mobility of people. On the other hand, a number of surveys conducted have unambiguously confirmed the direct impact of the image on consumers. Four forms have been identified for the purpose of determining the impact: the quality of goods and services; culture, organisation, people; visibility and public relations.

Communication. Under current conditions, and taking into account the level of development of a specific country, a number of means may be used to communicate with consumers, such as social media, mobile applications, direct TV advertising, loyalty cards (communication of information by SMS messages), different software, etc. However, there still are countries in the world where only a small percentage of people have access to the internet or the possibility to watch TV. For that reason, when intending to enter the market of another country a trade company should thoroughly consider the means of communication through which the company intends to provide local consumers with information about its trademark, range of goods, and what means it intends to use to encourage consumers to purchase the goods produced or offered by the company and to persuade consumers to trust its trade centres or stores.

Another important means of communication is the one used internally within the store. A properly selected internal communications procedure is a guarantee of all the main elements of the marketing strategy. Internal communication means include messages voiced inside the store, posters, banners, etc. Before starting applying internal communication means the trade company should first of all find out which means of communication are the most effective for consumers in a specific country. Such means have to be identified as not knowing or disregarding consumers’ priorities may make the marketing programme fail. The identification of the communication means which would be appropriate for most consumers is one of the most important tasks for foreign trade companies. The consumer themselves do not actually think about the means of communication which brings the information to them. The important requirement is that the information is correctly understood and accepted by consumers. A trade company may obtain an abundant amount of information about consumers from the data accumulated from loyalty cards, provided those are used widely enough.

Country of origin. It is universally known that the same product made in China, the USA, the EU or in African countries may significantly differ both in its quality and that they are viewed differently by consumers. Furthermore, when entering the market of another country a trade company often needs to agree on the inclusion of local manufacturers’ products into the range of products in the store, or their usage in producing other products. States seek to ensure that foreign trade companies in no way restrict the operations of local producers to ensure that their production volumes and the number of jobs are not decreased.

For example, when entering the Japanese market in late 2000, the French company Carrefour failed to properly examine the local market. As a result, the Japanese consumer missed a wider range of French products at Carrefour stores. Thus, in some cases, irrespective of the level of development of the country, it is important to ensure an adequate diversity of merchandise, and that the consumer can select a product with a country of origin which is acceptable to him. The process is widely affected by the level of the market and internationalisation. The higher the level of internationalisation of the market (more competing companies), the more demanding the consumers are.

A consumer may be also interested in goods of neighbouring countries about which they may have abundant and diversified information. Thus in response to the growing interest of consumers in goods from other countries such goods are made available in different countries around the world. The considerations above allow some assumptions about consumer goods towards the country of origin of products. On the basis of such considerations four groups of countries were identified – local (when the product is produced in the host country), neighbouring (when the product is produced in a neighbouring country, or in countries which have a border with the host-country), trade companies (when the product is produced in the country of origin of the entrant company), and remote countries (when the product is produced in countries remote from the host country).
Figure 2. Model of retail internationalization elements effect upon consumers
Price. The price aspect has been referred to in considering the possibilities to choose from the assortment of the goods, as well as in the context of the origin of the product. The importance of the price of the product is caused by a number of factors, many of them external, such as the level of development of the country, the level of income in individual social circles, etc. Considering that the average wages of Lithuanian residents is behind the EU average, the price factor is undoubtedly important for Lithuanian consumers. However, it needs to be said that the largest retailer in the world, Wal-Mart, is a low price network. It might be assumed that the price factor is important not only for Lithuanian consumers; it is relevant throughout the world. As a reflection of the relevance of the price factor is the opening in Lithuania of the first outlets of the German trade company Lidl in 2015, which is also a low price network.

Thus the consumer will be provided the possibility to choose from stores of different trade companies with a wide price range – they can choose low, normal and high price trade centres. It is specifically the level of consumer’s income, which determines his choice of shopping place. There is no need to prove that the price has a direct impact on the consumer. Another important aspect for a foreign company entering a new market is to know is the attitude of the consumer towards price. However, this is rarely done in practice. Ordinarily, trade companies choose to implement a standardised marketing programme and watch to what extent the programme will justify itself. Afterwards, corrections are made in the course of the trading process.

The attitudes of consumers towards price are shaped by entirely different aspects. Consumers are not aware and have very little interest in the pricing strategies or the methods applied by retail companies. The consumer assesses the price factor by comparing it with the prices and product quality of competitors: differentiation of price, price of goods is higher than competitors, price of goods is the same level as competitors, price of goods is lower than competitors.

4. Model of Retail Internationalization Elements Effect Upon Consumers

For the purpose of summarising the main aspects of the present theoretical survey the author of the paper produced a summary chart of the main elements and their forms which may potentially affect consumers. This constituted the theoretical basis for drafting the consumer survey questionnaire and the methodology for assessing the results.

Conclusions

The analysis of the theoretical literature and the results of the consumer survey before the opening of the furniture trade IKEA in Vilnius allowed the following conclusions to be drawn:

There is no sufficient theoretical basis defining elements of the internationalisation process which affect consumers, or any more comprehensive surveys related to consumer attitudes, approaches or expectations regarding a foreign trade company entering a market.

The most important participant in the process of the internationalisation of retail trade is the consumer who actually determines the success or failure of a retail trade company.

The analysis of the results of the survey of Lithuanian consumers allows seven principal elements of the process of the internationalisation of retail trade which potentially have a direct effect on the consumer to be identified: the format of the store, the range of the goods, the price, the country of origin of the product, advertising, communication and the image.

References


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MAŽMENINĖS PREKYBOS INTERNACIONALIZACIJOS ELEMENTŲ, TURINČIŲ POVEIKĮ VARTOTJŲ NUOSTATOMS, IDENTIFIKAVIMAS

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Santrauka

Straipsnyje teoriškai pagrindžiami mažmeninės prekybos internacionalizacijos svarbiausi elementai, daranties tiesioginį poveikį vartotojui. Dėl mažmeninės prekybos internacionalizacijos proceso ir galimo jo poveikio vartotojams, šis tyrimas yra aktualus ir teoriniu, ir praktiniu aspektu. Teoriniu požiūriu, reikia atskleisti šio reiškinio esmę, t. y. parodyti jo sudėtinges dalis – turinį, kuris leistų parengti galimo poveikio vartotojams tyrimo metodiką, kuria remiantis, galima būtų gauti praktišką rezultatą. Tyrimo tikslas – parengti teorinį mažmeninės prekybos internacionalizacijos tiesioginio poveikio vartotojams modelį. Užsibrėžtam tikslui pasiekti išskelti uždaviniai: apžvelgti atliktus mokslinius tyrimus mažmeninės
Prekybos internacionalizacijos proceso poveikio vartotojų nuostatoms klausimais; išskirti internacionalizacijos proceso poveikio elementus, kurie galbūt tiesiogiai veikia vartotojus; identifikuoti galimo tiesioginio poveikio vartotojams formas.


Išanalizavus Lietuvos vartotojų apklausos rezultatus, išskirti septyni svarbiausi mažmeninės prekybos internacionalizacijos proceso elementai, galimai tiesiogiai veikiantys vartotojus: parduotuvės formatas, prekių asortimentas, kaina, prekės kilmės šalis, reklama, komunikacija, įvaizdis.

PAGRINDINIAI ŽODŽIAI: internacionalizacija, mažmeninė prekyba, poveikis, vartotojas.

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