

Importance of strategy in process of international retailing



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Introduction

Nowadays we living in a borderless world where the barriers to trade is not longer prevail. All the retailers had started expanding their business throughout the world in order to gain more profits. The strategies opted by the retailers helped them to grow their business. Hence from the literature review we can see that the development of the companies depends upon the strategies that are being opted by them.

In this paper the detailed information regarding the strategies opted by the companies and the way those strategies helped them to expand globally can be know

What is meant by retailing?

Retailing is a process of selling the goods or services to the consumers either by the department store, shopping malls, online retailing. In the supply chain, the retailers are always at the end. They are the one who comes directly into the contact with the consumers.

Retail is usually classified by type of products as follows:

Hard goods retailers

Food products retailers

Soft goods retailers

International retailing:

“ Internationalisation is a process by which firms increase their awareness of the direct and indirect influence of international transactions on their future, <https://assignbuster.com/importance-of-strategy-in-process-of-international-retailing/>

and establish and conduct transactions with other countries.” (Beamish & Calof, 1990)

Retailing has been regarded as a localised commercial sector composed of small-scale operations. Undoubtedly, small retail operations remain an important element in the retail structure of developed economies, but in the 1990s large retail operations rank among the largest business enterprises in the economies.

Increasingly, major retail operations are developing international operations. If major retailers are to remain important commercial entities, they are no longer able to remain in the boundaries of their domestic market. For such organisations, international retailing is no longer simply an option it had become a necessity. International operations provide valuable growth opportunities and allow for the information gathering as a result of commercial experience.

Stages in the Internationalisation process

It is very important to understand the different stages that an organisation goes through in an Internationalisation Process.

Market Research: It is the very significant stage for every organisation to undergo during retail internationalisation. By conducting Primary and Secondary market research combinations would enable the organisation to get a bigger picture of future profitability and viability scenarios. Badly conducted market research would plainly result in the organisation losing out on valuable resources as there is little margin for errors at this point of time.

Modes of Market Entry: There are many ways to enter into the international market, which ranges from exporting, licensing, franchising, strategic alliances, foreign direct investment (FDI), mergers/acquisitions. Thus, depending on experience, risk taking, commitment and resources available, firms choose between ranges of foreign market entry and make choices about whether to 'go in alone' or cooperate with other partners, agents, distributors.

WAL-MART

“ The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good-quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience.”

– Sam Walton (1918-1992)

Wal-Mart is the world's largest retailer. It operates stores all over the United States. Nearly 75% of its stores are in USA. The net income of the Wal-Mart is about US\$ 14. 33 billion (2009) . It has 7, 471 retail units in the worldwide It operations in many countries with different names like Walmex in Mexico , Asda in the United Kingdom, Best price in India. It has more than 2 million associates worldwide.

International expansion of Wal-Mart

Wal-Mart was entered into international markets by a belief that it could achieve competitive advantage abroad by applying its role of technology, logistics and human resources with its terrific buying power with multinational consumer goods suppliers. Wal-Mart's strategy has been to acquire companies and convert them into the Wal-Mart stores

IKEA

IKEA, a Swedish furniture retailer is known for its cheap prices and high quality products. IKEA is a global success with over 200 stores in countries around the world with profits increasing rapidly (IKEA 2005). IKEA has effectively implemented a marketing strategy and placed themselves in a position to overcome its competitors. Its marketing and competitive strategy of high quality products at cheaper prices which is implanted in the culture starts at the design process and continues through all manufacturing, production and distribution stages until it is received by the customers so that they can achieve their promise to produce products which are affordable for as many people as possible.

The Company

IKEA began in the early 1940's, when Ingvar Kamprad the founder of IKEA sold general household products which people demanded. Due to his success he opened up a showroom and began designing his own furniture range which led to innovation and low costs. The real success came when they realised they could flat pack the furniture so transporting goods to IKEA and

for the customer would be easier. This differentiation was their marketing tool which made them a household name on global scale.

IKEA a Swedish retailer offers a large range of stylishly designed, functional home furnishing products at low prices. This is the single idea at the heart of everything IKEA does, including the way they produce, buy products and the way they sell them in IKEA stores around the world. They produce high quality products at low prices and this is done by cost-efficient and innovative methods.

Marketing Strategy

IKEA 's marketing strategy is to “ offer a wide range of well designed , functional home furnishing products at prices so low that as many people as possible will be able to afford them”(IKEA 2005). Customers are encouraged to share the IKEA experience which builds up IKEA's brand name. To achieve the overall marketing strategy they must have smaller strategies which can be obtained through segmenting the market by offering different products to different people. For example IKEA hopes to expand in the future with smaller high street stores which would sell plants, candles and other home furnishings. This would mean that it would easier for people to reach an IKEA store who were unable to do so before.

IKEA offers different ranges of products for example the Kimme chair which is popular among young teenagers as it is inexpensive and is made out of brightly coloured plastic and therefore is aimed at the youth. Whereas the Pöäng chair is popular among the more elderly as this is a expensive chair with a soft cushion and thus meets the needs of the older user. This is just

one example but IKEA tries to market each product at a different target market therefore IKEA carries out multi segment targeting.

Geographical segmentation is when the market is divided in to different geographical units such as cities, countries and towns. IKEA has done this by having stores all over the world. The success of IKEA is due to paying attention to geographical differences in needs and wants. IKEA has expanded on a global level with its blue and yellow stores that are located on out of town sites. However after acquiring Habitat this gave IKEA access to trade with new customers segment who is less willing to travel In making this shift they have also realised the European trend towards town centre shopping centres.

Growth Strategy

IKEA's growth strategy is to expand current stores in to larger stores or by opening 19 more new stores around the world, for example in Italy and USA(IKEA 2005). Each store will have similar qualities yet both countries are different so IKEA products will have to be targeted differently as each country has a different values, culture and norms which results in different needs of the customer. IKEA wants to maintain its low price strategy by finding efficient production methods, concise designs while exploiting economies if scale.

Human Resource Management Strategy

In IKEA, it is believed that “ their way of managing people has universal appeal” (Hodgetts & Luthans, 2003). IKEA managers overseas clearly explain

to employees and middle-level local managers the reasons why things are done in that way. (Hodgetts & Luthans, 2003).

Briefly, IKEA's management style is described as informal, open, and caring (Hodgetts & Luthans, 2003).

- Lack of hierarchy
- No title on the business cards
- Managers to be close to their co-workers
- HR executives responsible for answering “ How should we treat people who are part of us?” (Merisler, 2004)

2. 5. Problems Arising from International Development

2. 5. 1. France

The main challenge for IKEA management in France was the French tendency to judge informality as a sign of weakness, or indecisiveness. French people are accustomed to formal rules and strong hierarchy.

To make things clear to employees, formal communication platform was developed in France to spell things out in facts and figures by comparing IKEA's benefits with those of competitors. Also, more formal training programs are being developed because in France “ learning by doing” is not perceived as a credible way of developing competency (Hodgetts & Luthans, 2003).

2. 5. 2. Germany

One other problem for IKEA was the fact that the Swedish notion of “ taking on responsibilities for yourself”, the core stone of their work policy, was not perceived in the same way by Germans, who have a tendency to adhere very closely to precisely defined rules and instructions (Hodgetts & Luthans, 2003).

2. 5. 3. USA

IKEA's expansion in to the U. S market was a bold developmental decision. Firstly, because the cultural specific requirements for home furnishing were considered different than the European markets, secondly the American market had come to be known as the “ graveyard” of European retailers. From an historical perspective the venue seemed unlikely to succeed. But somehow, IKEA seemed confident that going about it the IKEA way would prove their exception. IKEA faced many challenges when braking in to the U. S market, and developed strategies to overcome these obstacles. But the most important challenge for IKEA was the issues of management, culture and Human Resource Development. Although American employees perceive IKEA as being more employee-orientated than average American employers, some of the cultural issues were the fact that the manager roles in IKEA are subtle and that IKEA managers tend to have a long term approach to management. There were few written procedures for the workers, so the golden rule for managers was to help people understand why things were done in a particular way. This was viewed as indecisiveness by American employees new to IKEA, that were more used to rules and procedures

spelled out clearly and managers who take responsibility for quick decision making (Hodgetts & Luthans, 2003).

INDITEX

“ The wonderful thing about fashion is it will always do the opposite of what you think,” said James Aguiar, co-host of the “ Full Frontal Fashion,” a television program.