

DEVELOPMENT OF RETAIL INTERNATIONALIZATION IN MULTICHANNEL ENVIRONMENT

Jelena Končar

University of Novi Sad, Faculty Economics in Subotica
Segedinski put 9-11, Subotica, Serbia
Phone/Fax: +381 24 628 015
E-mail: koncarj@ef.uns.ac.rs

Ljiljana Stanković

University of Novi Sad, Faculty Economics in Subotica
Segedinski put 9-11, Subotica, Serbia
Phone/Fax: +381 24 628 000
E-mail: lj.stankovic@ef.uns.ac.rs

Sonja Leković

University of Novi Sad, Faculty Economics in Subotica
Segedinski put 9-11, Subotica, Serbia
Phone/Fax: +381 24 628 000
E-mail: sonjalekovic@ef.uns.ac.rs

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Abstract

Global expansion requires studious approach to marketing channels which represent one of the areas where they build competitive advantage in the market. Internationalization of business in the retail causes changes in the competitive structure under the increasing influence of globalization and internationalization of markets. The growth of electronic marketing channels, together with conventional channels, is faced with growing challenges of the new multichannel environment. The problem of this paper is how the globalization affects on the internationalization of retailers in multichannel environment. Multichannel approach has the best possibility of meeting the needs and demands of customers worldwide. Strategies include multichannel retailing channel selection, which is based on its ability to increase sales and profits thanks to multichannel consumers. In the context of the multichannel strategy, synergies lead to use one channel in order to improve the efficiency and effectiveness of other channels in the mix. The purpose of the paper is to provide recommendation for creating a sustainable competitive advantage in the global multichannel environment. The most significant effects are reflected in the internalization process of modernized markets and retailers. The development of international retailers in multichannel environment leads to increased competition and affect changes in the relations in the existing marketing channels. In the paper we used induction and analysis method for making conclusions. The further research should contain detail analysis about the effects of multichannel approach in the global retailing.

Keywords: globalization, electronic marketing channels, internationalization strategy, multichannel retailer, Internet

1. INTRODUCTION

Global processes are encouraged by new technologies in the electronic marketing channels. The online strategy contributes to the functioning of the global market in terms of modernization and structural transformation of retailers. The internationalization is becoming an innovative strategy of development of modern retailing in emerging markets. In such a condition, there is development of new competitors on the market with completely new strategies of market positioning and differentiation compared to the competition. The internationalization of retailers is becoming an innovative strategy through the opening of large retail companies outside the national market, as well as through the integration of joint ventures with retailers in the global market. The strategy of international appearances by retailers in new global markets includes the use of modern multichannel strategy of segmentation, differentiation and positioning in the process of further growth and market development and trade. The internationalization of retailing is changing completely the structure of the market and trade and by that retailer is becoming a leading player in marketing channels, as a result of the globalization of the world economy. The expansion of new competition in terms of market globalization creates new relationships between participants in marketing channels. Building a global and integral trade raises many questions:

- How the globalization and integration affects on the internationalization of retailers?
- How the globalization of market affects the growing role of electronic marketing channel?
- What possibilities offer global multichannel strategies of international retailers?
- What is the new role of Internet retailers in the global market?

Answers to these questions should provide the ability to conduct effective internationalization of retailers in terms of global multichannel environment.

2. THE GLOBALIZATION OF RETAIL MARKET

The globalization and economic integration of markets leads to expansion of the internationalization of the multichannel retailers. Contemporary multinational trade organizations internationalize their views on the global market with material and human resources, as well as with the use of modern information technology (Končar, 2008, pp. 182-183.). Global processes bring a new role to retailers in marketing channels. Retailer, as the main link in marketing channels, takes an increasing number of functions of marketing and on that basis achieves competitiveness. The growing internationalization of retail activity causes changes in the competitive structure of the domestic market and the new markets in which foreign companies are coming

(Lovreta et al., 2013, p. 567). Retailers see benefits in the expansion of their business outside of the domestic market, and large retail companies assume an increasingly important role in marketing channels. The value of retail sales in the market is created under the influence of high internationalization of markets with intense competition between retailers. The globalization of the retail market by regions in the world is shown in the following Table 1.

Table 1. The globalization of the retail market by regions in the world in 2013

Region	% retail revenue from foreign operations	% single country operations
Africa and Middle East	25.10%	0.00%
Asia and Pacific	14.00%	43.60%
Japan	9.40%	45.20%
Other Asia and Pacific	18.90%	41.70%
Europe	38.60%	22.20%
France	43.60%	7.10%
Germany	45.40%	5.90%
United Kingdom	21.50%	21.40%
Latin America	22.90%	40%
North America	14.70%	44.30%
USA	15.40%	40.50%
Average of top 250 retailers in the world	24.20%	34.80%

Source: Deloitte, 2015, p. 21

The impact of globalization on the retail market is presented on the basis of following indicators: percentage of retail revenue that is carried out on the domestic market by retailers in the mentioned region, and the percentage of retailers who do not implement the strategy of internationalization on the market, but their operations are only on the domestic market. The first indicator shows that retailers for Europe have a highly international business with an above-average percentage of revenue out of the domestic market, with differences in the individual countries. For instance, German and French retailers have over 40% of revenue outside domestic markets, while retailers from United Kingdom have below average revenue outside domestic markets. On the other hand, markets of Japan and the USA are characterized by high consumer purchasing power, so the retailers in these countries focus on the domestic market and the achievement of their goals are directed only at the domestic market, so that the percentage of revenue that takes place outside of the domestic market are 9.4% and 15.4% respectively, which is significantly below the average.

The percentage of retailers which operate only in the domestic market indicates that the small part of retailers from France and Germany are oriented only to the domestic market (7.1% and 5.9%), which indicates a high integration of the market in the European Union, among other things, due to regulations in the retail sector which is uniformed in all state members and therefore facilitates the expansion of their retail network beyond the borders of the domestic market of each country.

The development of retail sales in the home country is a key factor in the internationalization of companies, because it is obvious that the countries with the most developed retail such as United Kingdom, Germany and France are experiencing

the highest number of initiators of entry to new, sometimes very distant markets (Lovreta et al., 2013, p. 575). The internationalization of the leading retailers in the European Union is the result of globalization and integration of world markets. International retailers have their own retail network in ten countries at least on average, which is noticeable with European retailers who mostly rely on their business in foreign countries. Another indicator of the impact of globalization on retailers is the fact that there are fewer retailers that have operations only in the domestic country. The characteristic of European retailers is focus on the internationalization and globalization of business and achieving competitive advantage using multiple marketing channels, due to competition which is expressed much more than in other parts of the world.

The impact of globalization on the retail market has a different effect and the intensity of the effect on the individual markets. Undoubtedly, globalization is strengthening retail competition and concentration, changing the relationship between participants in marketing channels, and strengthening the position of retailers.

3. THE DEVELOPMENT OF ELECTRONIC MARKETING CHANNELS IN THE GLOBAL MARKET

The global concentration of retail sector makes the basis without which markets cannot operate effectively under conditions of increasing internationalization of retailers. The internationalization of retail and total trade is a direct consequence of globalization and integration of world market (Lovreta et al., 2013, p. 568). The concentration of retail trade in the global market makes an important basis for the development of new multichannel strategies. Electronic marketing channels can be defined as the use of the Internet to make products and services available so that the target market with access to computers or other enabling devices can shop and complete the transaction for purchase via interactive electronic means (Rosenbloom, 2013, p. 420).

Global integration processes in retail sector is acquiring a new role of retailer in marketing channels and becoming a link that takes an increasing number of marketing functions (Končar & Leković, 2014, p. 144). The largest multichannel retailers that recorded a high rate of e-commerce in their businesses are Apple Inc./Apple Stores, Wal-Mart Stores, Inc., Otto (GmbH & Co KG), Tesco PLC, Liberty Interactive Corporation, Casino Guichard Perrachon S.A., Home Retail Group plc, Best Buy Co., Inc, Staples, Inc., and Lojas Americanas S.A. / B2W Digital (Deloitte, 2015., p. 11). Among mentioned retailers the biggest revenue of electronic commerce had Apple Inc. / Apple Stores, Wal-Mart Stores, Inc., and Otto (GmbH & Co KG) recorded in 2013. In business-to-consumer model (B2C) the largest percentage of the total retail revenues was realized by Otto (GmbH & Co KG), Liberty Interactive Corporation, and Lojas Americanas S.A. / B2W Digital.

Table 2. Presentation of leading B2C electronic retailers in total operating retail revenues in 2013

Top e-retailer sales rank	Name of Company	Country of origin	B2C e-commerce % of total retail revenue
2	Apple	U.S.	31.4%
3	Wal-Mart	U.S.	1.6%
4	Otto	Germany	57.1%
6	Tesco	U.K.	4.7%
7	Liberty Interactive Corporation	U.S.	43.9%
9	Casino Guichard Perrachon	France	6.4%
12	Home Retail Group	U.K.	31.5%
13	Best Buy Co.	U.S.	7.1%
14	Staples	U.S.	19.3%
15	Lojas Americanas	Brazil	42.5%

Source: Deloitte, 2014, p. 28

The internationalization of multichannel retailers depends on the process of modernization of markets and trade in a large extent. The leading place in the process of internationalization takes the retail chains from developed countries (Lovreta, et al., 2013, p. 583). Multichannel retailers choose different international strategy for entering new markets and become leading actors of global marketing channel.

4. THE GLOBALIZATION OF MULTICHANNEL STRATEGIES OF INTERNATIONAL RETAILERS

Intensive development of new technologies, globalization and international strategy, emphasizes building competitive advantages of retailers in the market. The development and creation of a global concentration in retail sector is the basis without which market cannot operate effectively in terms of increasing the degree of saturation of the market and globalization. The internationalization of retailer's business activity brings the issue of expansion and globalization of the multichannel strategy.

Multichannel retailing systems are becoming one of the most powerful applications in the business areas for international strategy. Getting closer to the customer and understanding their behavior is of crucial importance for the survival of retailers today. An attractive offer creates the ability to adapt to any range of sales premises, sales channel or customer. Retailers' interactive websites affects the increasing importance and development of multi-channeling.

Global levels of concentration in the retail trade in the EU can be seen through the participation of leading retailers. The represented retailers from Western European countries are among the biggest retailers in Europe, especially from countries that had started integration of EU market, such as Germany, France or the United Kingdom. By integrating the single European market of goods and services, European retailers were given the opportunity to simply expand their business outside the domicile country. The question about retailers' global performance is what will be retailers' strategy in the new market and how will fight the competition. By using the

multichannel strategy retailers are defining the role of different marketing channels to specific markets and thus create a unique and distinctive position in relation to competitors in the market.

Multichannel retailers have greater potential of performances. This is in favor of the fact that multichannel consumers, those who buy and thus combine for example retail store, catalog and Internet, have a higher average annual value of purchases 887\$, while those who buy in combined retail store and in the catalog are spending 608\$, in retail stores and on the Internet 485\$, further on the Internet and catalog 446\$, and below these values are those who buy only in one channel (catalog 201\$, retail store 195\$, Internet 157\$) (Noble, et al., 2009). These data suggest that the benefits of retailers' multichannel strategies are also recognized by consumers and willingly used in order to have a complete shopping experience through available channels.

Table 3. Largest electronic retailers with a multichannel strategy with internationalized business in Europe in 2013

Top e-retail sales rank	Retail revenue rank	Name of company	Country of origin	Countries of operation	e-commerce retail sales % of total retail revenue	e-commerce growth rate
5	70	Otto	Germany	54	61.30%	7.00%
6	5	Tesco	UK	13	5.30%	11%
8	13	Casio	France	29	6.20%	19.40%
13	117	Home Retail	UK	3	32.60%	7%
21	68	John Lewis	UK	3	15.60%	22.80%
23	163	Next	UK	74	36%	12.40%
24	23	Centre Distributeurs	France	7	4.10%	63%
30	7	Metro	Germany	32	1.90%	54.50%
32	85	Dixons Retail	UK	7	13.30%	27.80%
36	14	Auchan	France	13	2.40%	11.90%

Source: Deloitte, 2015, pp. 33-34.

In Table 3 is shown a high correlation between the internationalization of retail business and existence of electronic retail stores in case of Europe retailers. The dominant participation, as in previous analyzes of retail internationalization, have electronic retailers from Germany, France and the United Kingdom. The importance of electronic retailing can be seen on the basis of the total retail revenue that retailer achieves, as well as the percentage of e-commerce growth for each electronic retailers. What is notable here is that the electronic marketing channel has a high growth, and compared to traditional retail formats of the same retailer there is much higher growth of electronic retailing. The development of the multichannel retail strategy is directed towards the implementation of the technology in traditional retailing and by that development of electronic retailing.

Technological developments and the concentration of retail market in the global electronic market are an important component of the development of new multichannel strategies. In the context of multichannel strategy, synergy means using one channel to enhance the effectiveness and efficiency of other channels in the mix (Rosenbloom, 2013, p. 8). The multichannel strategy is an important component in

the development of retailers' marketing channel. With the optimal multichannel strategy retailers tend to the new market positioning and differentiation from the competition. This multichannel strategy becomes a way to achieve sustainable competitive advantage. The efficient multichannel strategy requires long-term commitment and significant investments.

Like it was mentioned before, in the context of the multichannel strategy of different channels, the synergy means using one channel for improving the efficiency and effectiveness of other channels in the mix. The main difficulty in achieving development of multichannel strategy is conflicts between the different channels, which require a new channel strategy that will contribute to the effective management of conflicts in the channel. All of this leads to the conclusion that in the conditions of global competition achieving sustainable competitive advantage requires new channel strategies, especially focused on multichannel strategies.

5. THE INTERNET RETAILERS ON THE GLOBAL MARKET

The main priority in the evaluation of new technologies and online strategies is focused on protecting the privacy and accuracy of the data. The Internet offers the customer retention strategies, the personalization and "one to one" marketing, which is the ultimate form of segmentation, targeting and positioning of the individual consumer. The personalization by segmenting the market based on accurate and timely practical needs of the individual, aims positioning the product in relation to the competition. The personalization has made significant advantages, with the aim of better understanding and prediction of customer needs.

Personalization is the targeting of marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases (Laudon & Traver, 2015, p. 54). The extension of personalization is related to the adjustment and modification of the product according to the priorities of customers. Customers are changing product according to their priorities thanks to interactivity in the Web environment. This creates opportunities for purchasing by order through product differentiation and adapting over the Internet (e. g. product information, online customer services, etc.). The interactivity with prospective customers is provided through: frequent questions, chat systems about customer service in real-time, automatic response systems and so on.

Large pure-play electronic retailers are dominant in a global electronic market. The following table number 4 points to the leading Internet retailers in the global electronic market. Retailers from the US, Germany, France, United Kingdom and China are in the top ten online retailers in the world with application of new technologies in their operations globally.

Table 4. Leading Internet retailers in the global market in 2013

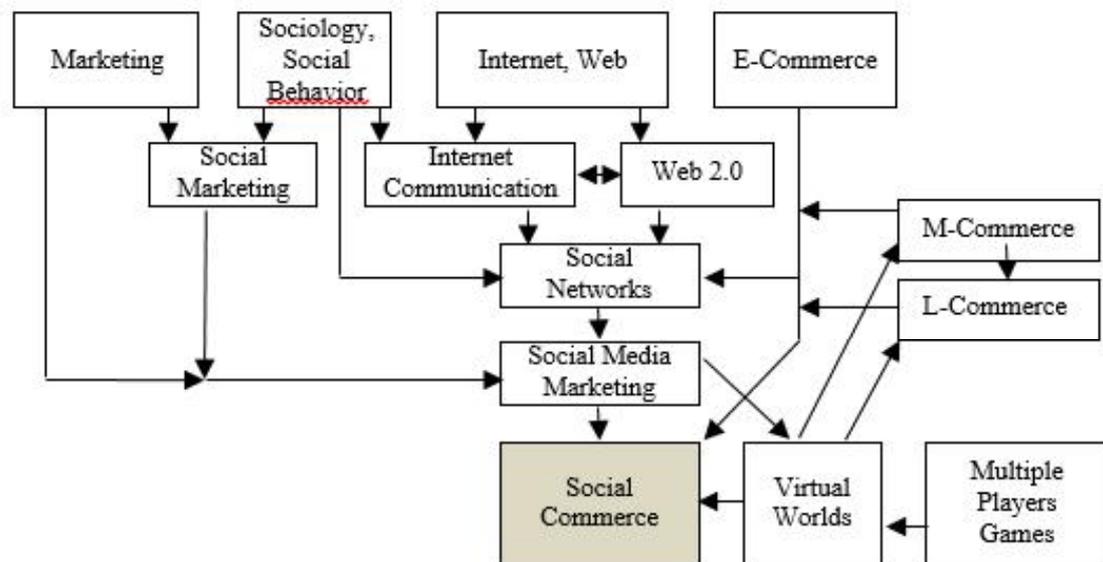
Rank	Name of company	Country of origin	Electronic commerce (US\$ mil)	Growth of electronic commerce
1	Amazon.com, Inc.	U.S.	60,903.0	17.7%
2	JD.com, Inc.	U.S.	10,826.8	66.2%

16	Newegg, Inc.	U. S.	2,700.0	-3.6%
18	Zalando AG	Germany	2,340.0	52.1%
22	Vente.privee.com	France	2,125.2	23%
29	Vipshop Holdings Limited	China	1,680.6	143.5%
35	Tencent Holdings Limited	China	1,582.5	121.2%
39	Overstock.com, Inc.	U. S.	1,304.2	18.6%
42	Ocado Group plc	U. K.	1,239.5	16.7%
45	Systemax Inc.	U. S.	1,193.9	-18.2
46	ASOS Plc	U. K.	1,178.7	40%

Source: Deloitte, 2015, p. 33

Web 2.0 tools and social networks are changing the way of communication which affects the rapid and significant changes in social media related to digital words, sounds and images transmitted through the Internet. The social media use Web 2.0 technologies that communication activities direct to an interactive dialogue. The next wave of Web 3.0 Internet applications will effectively categorize and present digital (numeric) information to users in visually developed mode, which will boost the interactivity, analysis, intuition, and searching functions. Web 3.0 technologies' tools will improve and automate research of databases more efficiently. With Web 3.0, the Internet can finally realize elaborate and complex virtual worlds, where social interaction drives business operations (Turban et al., 2012, p. 122). After Web 3.0 follow the Web 4.0 generation.

Figure 1. The Major Roots of Social Commerce



Source: Turban, et al., 2012.

The figure number 1 indicates the emergence and growth of the mass media and major roots of social commerce. The extensive use of social and online media that supports social interactivity creates the conditions for online buying and selling products and services. This leads to social commerce (SC), which can be defined as subsystem of Internet retailing that involves using social media and online media that

supports social interaction and user contributions, to assist in the online buying and selling of products and services.

The roots of the social commerce are in integration in several fields with a focus on marketing and selling products and services. Companies Amazon, eBay and Wal-Mart focus on mobile applications, as the latest sales channel, with their sites and applications so advanced that sometimes compete with social networking sites¹. The new Long-Term Evaluation (LTE) technology in a virtual environment offers to users a better experience in mobile communication services such as traditional voice and messaging services, which are transformed into rich media content².

Significant part and potential in the multichannel strategy on the Internet has mobile commerce. On the other hand, 4G generation of mobile standard covers Internet protocols with the aim of combining different types of access networks. IP (Internet protocol) as the universal protocol in Internet communication provides each user a unique address which is determined by its identification and location. The new trend in retailing will follow collecting information about customers thanks to iBeacone (using Bluetooth technology) with the aim of sending a personalized offer of products. The iBeacone provides personalized information and warnings based on data from micro locations³. This technology creates the conditions for precise placement of products to retail customers, and retailers' access to information about customers and their needs.

Social networks and mobile phones bring great changes in retailer's communication, while Internet use via mobile phones is much beyond the Internet through the desktop. Mobile connections provide the ability to pay electronically. The mobile commerce technology is still developing, and the development of mobile commerce will be facilitated with the new 5G technology. Smart phones with 5G technology has the option of changing cells, or selection of technology that provides the best and safest connection for the transmission of various data that facilitates and accelerates mobile commerce transactions.

6. CONCLUSION

The global electronic market encourages concentration of retailers affected by the increasing occurrence of multichannel strategies. The development of the multichannel strategy in terms of the internationalization of retailers in the global market is going to greater expansion and strengthening of the retailers. The optimal retailer's multichannel strategy tends to the new market positioning and differentiation in relation to competitors, all with the goal of achieving sustainable competitive advantage. Retailers, through various multi-channel strategies of entering new markets, have become leading actors of global channel marketing. The global retail concentration becomes more intense and encourages competition for market

¹www.marketnetwork.rs/retail/vesti/vestiizsrbije, access June 5, 2015

²www.tajmlajn.com/svetska-premijera-prenosa-razgovora-putem-ite-tehnologije-u-virtualnom-okruzenju, access June 5, 2015

³www.marketnetwork.rs/roba-siroke-potrosnje/vesti/fmcg-trendovi/3686-top-retail-trendovi-koje-treba-pratiti-tokom-2015, access June 5, 2015

position. One of the important trends in internationalization is also a high correlation between global and electronic retailing. The largest multichannel retailers are Apple Inc. / Apple Stores, Wal-Mart Stores, Inc., Otto (GmbH & Co KG), Tesco PLC, Liberty Interactive Corporation, Casino Guichard Perrachon S.A., Home Retail Group plc, Best Buy Co., Inc, Staples, Inc., and Lojas Americanas S.A. / B2W Digital. The biggest revenue of electronic commerce had Apple Inc. / Apple Stores, Wal-Mart Stores, Inc. and Otto in 2013. The largest percentage of the total retail revenues in B2C electronic commerce had Otto (GmbH & Co KG), Liberty Interactive Corporation and Lojas Americanas S.A. / B2W Digital. The personalization, according to consumers' needs, has made significant competitive advantages, which is becoming possible with contemporary Web 4.0 and 5.0 technologies. Further development of multichannel strategies and huge potential has mobile commerce which is taking leading place compared to electronic commerce especially at developed markets.

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