



Institute of Food and Resource Economics

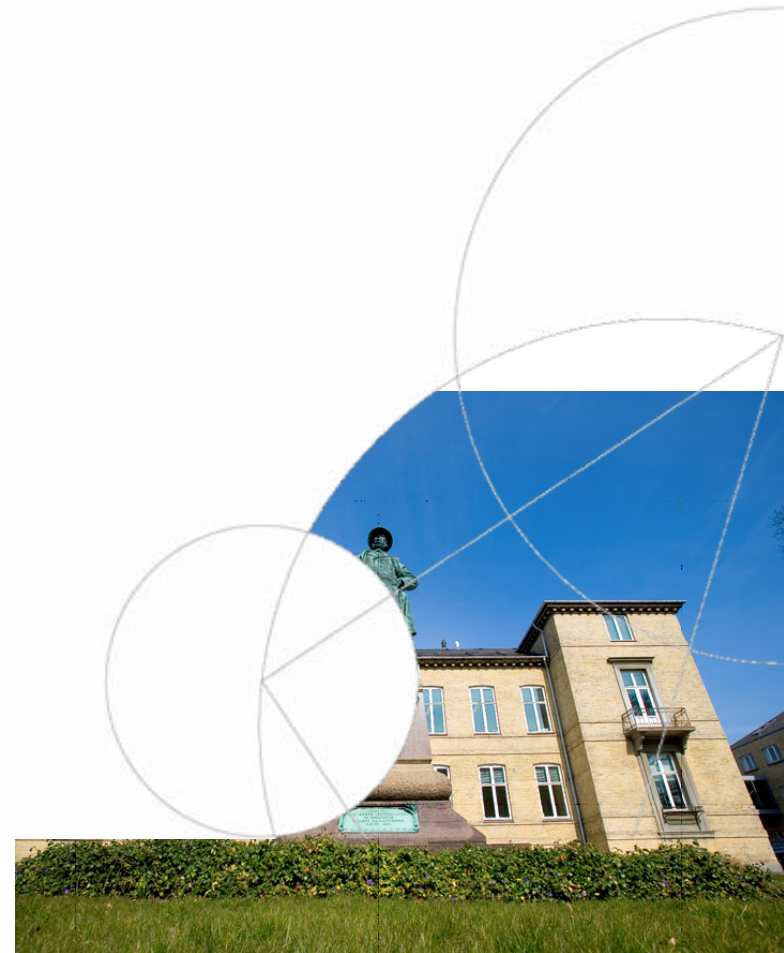


# RETAILER INTERNATIONALISATION

CONSEQUENCES ON

BUSINESS STRATEGY AND  
UP-STREAM CHAIN LOGISTICS  
IN THE ORGANIC SEGMENT

BY  
Dr. Paul Rye Kledal



## Presentation agenda

- Globalorg project
- Retail globalization: what are talking about
- Motives for retail globalization
- Suggestion of theoretical framework
- Examining up-stream consequences
- Research focus areas?



## Globalorg project

### Overall objective:

*To determine to what extent and under which conditions organic farming may*

- *reduce local and global negative environmental impacts*
- *provide sustainable improvements in poor farmers' livelihoods*

*within the framework of the global food supply chain and the increased urbanisation.*



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[www.Globalorg.dk](http://www.Globalorg.dk)

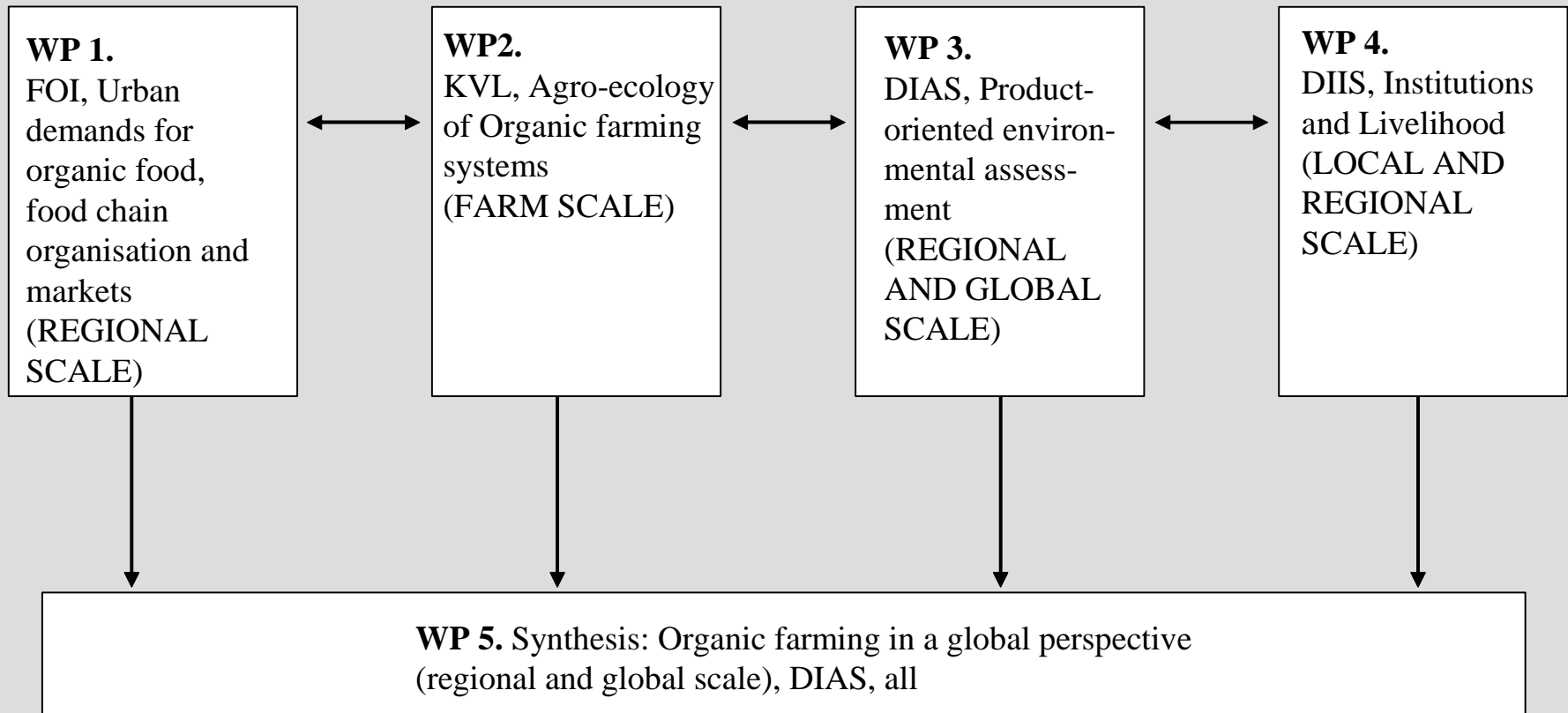
2006-2010 global research on development of organic food & farming environmentally, socially and economically?



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## Retail Globalization: What are we really talking about?

**20 RETAILERS** regard themselves as international competitors

6 retailers has a position that looks reasonable secure

**FEW 'GRAND' MARKETS OF POTENTIAL EXPANSION**

**BRIC COUNTRIES**

**L.A.:** ARGENTINA, COLOMBIA, MEXICO

**AFRICA:** TUNESIA, EGYPT, ALGERIA

**ASIA:** INDOSNESIA, THAILAND, MALYASIA, SINGAPORE

**MIDDLE EAST:** SAUDI ARABIA, KUWAIT, JORDAN, UAE

**EU (CEEC):** POLEN, (TURKEY)



## THE BIG THREE INTERNATIONALLY

	COUNTRY	SALES US MIO.	INT T.O. % OF SALES
WALL-MART	US	241,973	16
CARREFOUR	FR	38,794	51
TESCO	UK	26,350	15



## THE CONTENDERS INTERNATIONALLY

CASINO (FR)

AUCHAN (FR)

METRO (BD)

ALDI (BD)

ITO-YOKADO (JP)

TENGELMAN (BD)

AEON (JP)





## REGIONAL EXPANSION

- LIDL (EU)
- NETTO (EU)
- SPINNEYS (MIDDLE EAST)
- Majid Al Futtain Group (franchising carrefour egypt)
- Mansour Manufacturing and Distribution (Metro egypt)



## Motives for international retailer development

### PUSH

MATURE MARKETS  
INTENSIVE COMPETITION  
SATURATION IN FLOOR SPACE  
SLOW ECONOMIC GROWTH  
LOW POPULATION GROWTH/  
CHANGES IN DEMOGRAPHICS  
REGULATION ON FORMATS  
REGULATION ON TAKEOVER  
HIGH OPERATING COSTS

### PULL

GROWTH IN ECONOMY AND  
POPULATION  
INCREASING CONSUMER SPENDING  
DESIRE TO EXPORT A FORMULA THAT  
WORKS AT HOME  
REMOVAL OF BARRIERS TO ENTRY  
STRONG PRODUCT BRAND  
FRAGMENTED COMPETITION  
CORPORATE PHILOSOPHY TO BECOME  
INTERNATIONAL BUSINESS  
ESTABLISH BASE FOR FURTHER  
INTERNATIONAL EXPANSION



## CONCEPTUAL FRAMEWORK: THE 'OLI' MODEL

### OWNERSHIP ADVANTAGES

(THE WHY)

Ability to exploit a:  
brand, product,  
know-how  
A well working formula

### LOCATION ADVANTAGES

(THE WHERE)

econ growth  
econ of scale (back office)  
removal of entrybarriers  
consumer spending up  
urbanization  
macro econ stability

### INTERNATIONALIZATION ADVANTAGES

(THE HOW)

corporate philosophy  
Transfer of learning  
First mover



## UP-STREAM CONSEQUENCES:

FARM LEVEL (direct link to retailers: offering packaging, fresh produce, farm brand)

### PROCESSORS:

- no longer size or breadth of activity that determines efficiency
- combination of its core activities and geographical spread that matters
- requires a centralized, vertical coordination of their international activities
- pushes firms to reshape their internal structures and become matrix-form organizations
- changing network relations with their subsidiaries



## Research focus areas?

Logistic technologies (transport, communication) and its cost relation to reduce time on delivery and supply chain information

Logistic technologies and its cost relation to the asset specificity in food concerning time of durability

determines to a great extent retailer business strategies and network relations



Thank you for your attention



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