

Retail Management
Prof. Swagato Chatterjee
Vinod Gupta School of Management
Indian Institute of Technology - Kharagpur

Lecture – 9
Global Retailing

Hello everybody, welcome to the NPTEL Swayam course on retail management. This is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur, who is taking this course for you. We are in week 2. This is lecture 9 we will be discussing global retailing in this particular lecture. So, global retailing can be of two types in general. One is that you have a retail store in one particular place and let us say you might not also have a retail store in any place.

You can be an online retailer, but you are delivering the products or you are serving the customers globally. that is one way. Another way of global retailing is that you have physical presence in multiple places, multiple countries. Now, the difference between these two is that when you have presence in multiple places that customer facing people are often of those places as well.

So, the customers and employees are of those places that is the frontline marketing employees or the sales employees or the operations employees will be of the same place. But the sourcing and logistics and etc will be at the backend and each of these places might have their own offices and these offices will be connected to each other.

But in the first case when you are majorly centered in one particular country and you are trying to serve the customers in different countries, then basically it might be case that you do not have a presence in that country itself. You might have an office like Amazon has an office in India as well, but you might not have an office as well. And their your face become only the delivery person.

And in some of the cases the delivery is outsourced to somebody else and in some of the cases that delivery is not outsourced, it is your in house, but the delivery person is the only person who is your face, who is in connection with the customer. Now, there are cultural issues that will come into this picture or there are various kinds of laws and regulatory issues

that will come into picture that will impact both of this business model and we will discuss about that.

(Refer Slide Time: 02:54)

Global Retailing

- Global retailing is the concept of selling products (i.e., goods and services) across the geographical boundaries of a country to the consumers available in the different parts of the world to attain global presence and recognition and to capture the opportunities prevailing in the potential overseas markets.

<https://theinvestorsbook.com/global-retailing.html>

So, what is global retailing? Global retailing is the concept of selling products that means actually goods or services both across the geographical boundaries of a country to the consumers available in different parts of the world to attain global presence and recognition and to capture the opportunities prevailing in the potential overseas markets.

This definition is taken from this particular link, you can go and study about the global retailing a lot in this particular link. But yeah so this is what, you are trying to access the opportunity outside that geographical boundary **or** or the political boundary that has been created.

(Refer Slide Time: 03:45)

Global Retailing Trends



Now, what are the trends of global retailing. One major trend is internationalization. So all the retailers like WalMart, like Tesco are trying to become international. They want to get products outside, they want to source from outside, so they want to have a global presence. So, slowly people are trying to position themselves as a as a part of the global community. It also improvise another trend in this kind of cases is improvising the service offerings, now why?

Because the services, because the cultures are different, the setups are different, the consumer backgrounds are different, the services that they asked for are also different. The one that I just told if you remember I could go back in that same example of breastfeeding to a baby by mom that might not be culturally fit in India. In India, we generally do not feed our babies openly, but it might be culture and they very much fit in some other country.

And in that country probably that is why the breastfeeding rooms in a retail store is very common and probably sometimes it is mandatory, but it might not be a case in India and there can be so many different other services which might fall in this place as well. So, you try to improvise the service offerings, you bring and learn from the expectation of the consumers from one one particular country and try out the service offerings that is preferred in this country in some other country also.

And you see that whether that country, the second country's customers are also happy with the service offering or not, whether they are looking for because certain service offerings customers are not even aware that they were interested in it, but once they have it they like it.

So, that improvising can be done which you are basically learning from different markets. There are boutiques who are becoming basically global.

So, what happens is oftentimes instead of focusing on different kind of retailing, retailers are becoming boutiques like you are focusing on one particular product segment you know that this niche segment is present in multiple places and these are boutiques means that these are speciality stores very targeted, very niche. So, you will know that okay this particular niche segment is available in multiple markets and if I specialize in it, I will not let anybody come into this particular market.

So you become boutique in multiple global markets instead of becoming a mass merchandiser in one single market. But then there are also mass merchandisers who are present in multiple market as well because they do global sourcing. Because global sourcing reduces price, first of all reduces the cost, not price, cost because the sourcing cost will give you the some sort of economies of scale and that is why it will come down.

So instead of just serving let us say to America if you can serve globally, then let us say you are trying to make sure that the global consumers in the urban areas, whatever coffee they consume, I will source that and I am sourcing that coffee from Brazil let us say. And if I am doing it for only for USA, the amount of cost per unit that I have to incur that will come down much more if I do it global. So then global sources is coming in the picture.

So, if you have global footholds at various places, you can source product A from country A, product B from country B, product C from country C, then this A B C you can sell into three countries. So all the three products you can sell to all the three countries, so that kind of things are also being possible. People are migrating from retail formats from online to offline, offline to online, those migrations are happening.

Private brands are expanding, more number of private brands, different kinds of private brands are coming in different markets for the same product category. So these are some of the global trends which we can see.

(Refer Slide Time: 08:19)

Additional Concerns for Global Retailing

- In addition to the strategic planning process:
 - assess your international potential
 - get expert advice and counseling
 - select your countries
 - develop, implement, and review an international retailing strategy

But what are the additional concepts of global retailing? What do you face when you do global retailing? One is that you have to assess your international potential. You have to make sure that whether the demand is there or not because it's a huge investment. It is an investment on setup, investment of sometimes incorporating yourself in that particular country, investment on the manpower.

So, if you are investing so much you have to assess your potential in the market quite a lot before you invest. So, that is some of the strategic planning that we have to do. You have to know the market. Knowing the market is very difficult. Sometimes we do take on help of consultants, researchers market researchers give this kind of advantage. Sometimes you know you need somebody, a consultant who will handle you in this particular market.

Who knows, who have basically done services in the market for quite some time and you are actually employing him so that that particular person can handle you inside the market. You have to select countries. which country I will choose. So being international means you have to go to a different country, right. But there are so many countries available, which one will you go?

Will you go for a big, low price or mass kind of a market like India or China or will you go to a niche market like Europe where the number of people are less in the market but they are very much very big you can target them very properly. They know what they want. They have special tastes and preferences which one will you go for. Will you develop implement and review an international retailing strategy?

So, these are some of the challenges that you can face when you are trying to go global. These are challenges, these can be the more you spend time on those challenges, automatically this has been prefaced, no one single recipe to solve the problems, but the awareness about the problems, awareness of existence of the problems make the problem handling easier in general.

(Refer Slide Time: 10:36)

Global Retailing Strategies



Now when a company decides that okay I will go in a global market, there are lots of different kinds of decisions to be taken. So, that decision depends on the culture and one is the cultural distance. **(Video Starts: 11:01)** So, I will stop here and ask you to study there is a there are certain terms on culture which is like let us say Hofstede cultural dimensions. So, let us go to our very Wikipedia.

So, this Hofstede cultural dimension theory, this one you should study and there are 5 major dimensions that are there in Hofstede. One is power distance, one is individualism. Power distance, individualism, long term orientation, and then masculinity femininity and the last one is I forgot just one minute indulgence and restraint. **(Video Ends: 11:45)** So, these are some of the dimensions of Hofstede.

So, very important power distance, whether the particular country believes that there should be an hierarchy or not So like if you go to let us say USA, it is a flat culture. You do not call another person by saying sir, sir has a different meaning. Even in India sir has different

meaning in different places like in South India I have spent certain time in Bangalore while doing my PhD.

I have seen there and which was very difficult for me to see because that was not the culture in Bengal at least, I have born and brought up in Bengal. So, in Bengal we do not call sir to anybody, we call sir to teachers basically with respect, but here this respect is mutual and at any level. So, a person who is a shopkeeper can say an autorickshaw driver sir, so they are there so. Within India is a very beautiful place that is why because the culturaleal diffderence like this is a power distance, right.

So, this power distance is varying within different parts of the of the country that is why here itself is basically multiple cultures are possible. Then what is power distance? Will you believe in hierarchy or not. Another is masculinity femininity. Musculinity feminniity is not whether it is patriarchal society or non-patriarchal society. It is basically saying that whether your society believes in achievement, so whether achievement is important or whether care and emotions are important.

There are certain cultures like Japan if I say. They aare achieving something, getting the result out at whatever cost with whatever I would say pain that you have to take is important for them. In India it is not so important. You will see people relax a lot in Indian culture, they think that okay it will happen, why we will take so much of pressure. So, that is that culture of India which has a specific difference on Japanese culture let us say so which is in the line of this masculinity femininity.

We will say that this goal orientation is a masculine characteristic and emotion orientation, care orientation is feminine characteristics. Now, they can be debate why, but I am not going to that. Then there are other comparative other things, which is like uncertainty avoidance, whether you were risk seeking or risk averse as a culture or whether you are long term oriented or short term oriented, whether your indulgence, you like indulgence or you like restraint.

So, whether you are individualistic or collectivist. So, our India's culture is collectivist culture. We are a socialist country in general or we in by belief also we are socialist. We do not believe in our own growth only, we are a country of Mahatma Gandhi, we are a country

of Buddha. So, all these people have basically talked about collectivism and we are also a country though all these people have also talked about restraint.

So, we know that we will not consume a lot, we believe in being in less consumption, we believe in whatever is required we will focus on that and we are again risk averse. In general, we will see that Indians are risk averse, which has made us more focused towards probably our safety net, safe job rather than intrapreneurship. So, these are some of the cultures and if you go to Hofstede.

Hofstede actually collected data from various countries, optionally students, and they have given this numbering that which particular country has. Now, if I have numbers of different countries, then I can also find out what is the cultural difference between one country and another country and in one dimension. So, when the cultural difference is close, when the cultural distance is low, that means that two places are culturally close, you generally know about the market more, you have knowledge about the mark.

So, if you have knowledge about the market, you will not rely on somebody else, but if you have less knowledge about the market you will rely on a local player, so that is one level of difference. In another level of difference you look for entry ease. If your entry in that market is very ease you will enter on your own. If the market entry is difficult, you will take somebody else's say.

So, when you are taking somebody else's help in both understanding the market and entering a market that is called joint venture. But when you are taking help only to enter the market and not understanding the market, understanding the market is easy, then you go for chain acquisition. So, you basically acquire a local chain, local retail chain in that particular country. On the other hand, when entry is very easy, but you do not know that particular market you rely on franchise.

You rely on a person who knows the market, but you still keep your ownership on your own. And when the entry is easy and that you have knowledge about the particular market you go for organic growth. So, these are the four boxes depending on the understanding about the market and depending on the entry ease of the market you can choose any one of the I would say entry strategy, global retailing strategy that you can take to enter the market.

(Refer Slide Time: 18:14)

Factors Affecting the Success of a Global Retailing Strategy

- Timing
- A balanced international program
- A growing middle class
- Matching concept to market
- Solo or partnering
- Store location and facilities
- Product selection

Now, what are the success factors? I will talk about certain success factors and certain challenges in that global retailing. One is the timing. If you do the right timing, you know when the market is changing, when there is certain kind of I would say new products or services are required or when your own market is getting saturated, you are knowing that understanding that time is very important.

If you understand the time and if you take actions accordingly, you might probably be at a safer place 4-5 years down the line . A balanced international program. So you should not go to one market and go invest everything in that market, you should try out 4-5 markets together and see that which one is going doing better. So, once one market is doing better than the other one, you just put some amount of money in that market and do not put some amount of money in other markets.

So, you keep on trying balancing till you tested the market and very much sure that okay this particular country is where I want to go. So when you know that it is fine. A growing middle class, so you have to also think that ultimately the selling power is driven by the middle class. The upper class consume, but after certain point of time their consumption comes down, they start investing.

So, the extra money that they have they do not consume a lot, every human being has a upper limit on the consumption pattern that too in a particular product category, so they start on investing. So you have to focus on the middle class at the end of the days which was that is

growing. Matching concept that means when you were trying to enter in a different market whether this two market has a matching concept or not.

Whether you will go for solo or partnering, I have already discussed that. The store location, what location you will go for and the product selection.

(Refer Slide Time: 20:13)



What are the challenges faced by global retailers? Coping up with changing technology. Now, you have invested in multiple markets and all of a sudden technology changes and let us say the physical presence becomes obsolete, you do not require a physical presence anymore that affects a market like anything. So, you have to keep on seeing the changing technology.

But this is true for all even if you do not go for global, but in global you have already invested on the facilities right on the infrastructure. So, if you have invested on the infrastructure and before you take out the money out from the infrastructure, before you got your ROI if the technology changes and creates a disruption in the market that creates a problem . Language barriers and varying communication style. Obviously, I will not focus on that.

There was a very interesting example like weather when I have seen an ad or maybe you can say in Facebook. So let us say there was a person who was running very tiredly and then he or she drank Coca Cola or some drinks and then the picture is showing; so he is running very fast and drinks Coca Cola and the person then he is lying flat, so that was the ad. So the person in that particular market told why did you send this ad?

What does this mean that if I drink the particular drink basically then I will die or I will lie down, I will fall down, what is the ad trying to say? So, he is enquiring a lot and the particular person whom he is basically shouting he is sitting in let us say in India or USA and he is a media agency and he is saying what this guy is saying I have done the opposite, a person was lying and then he drank this drink and then he got very fit and running a lot.

So, now later they found out that in India or USA you read from left to right and in the particular country let us say you basically read from right to left. So, whatever was actually the picture that somebody was lying down down, drank the liquid and then started running have become exactly the opposite in that particular country. So, that is an example, probably many of you have seen that example.

So language barrier and varying communication style. Even in a country like India there can be this kind of language barrier, I mean there are colonial languages, English is attached with I would say professionalism, English is attached with a little bit of supremacy and there are I would say language, certain language are not preferred in certain part of the country. So, those kinds of issues are there.

You know in a multicultural environment like India those kinds of issues will be there and retailers should be aware about that and retailers should be taking steps accordingly. The consumer empowerment, you should empower the consumer. Now empowering the consumer might not be in the culture, so that comes with the consumer complexity also. In certain culture, probably consumers are not bound to be that kind of empower, so it becomes an issue.

There can be so many other cultural issues that can come up in the picture, like probably let us say nodding or asking personal questions. So, how was your day today might be considered as a very personal question in one culture than other. There can be international shipping policies. Legal issues can be there which requires specialized, I would say experts in every market separately, one market's expert might not be another market's expert.

So those expertise is also needed which can be a challenge and a retailer has to invest on that knowledge as well. So I will stop here today in this particular global retailing part. In the next

videos, we will talk about different kinds of retail formats that the retailers can take, some strategic and some small, small specific activities and that is how we will go ahead. Thank you very much. See you in the next video.