Retail Market Entry Strategy in China
1. Introduction to International Retail Strategy
Questions

- What is a retailing strategy?
- How can a retailer build a sustainable competitive advantage?
- What different strategic growth opportunities can retailers pursue?
“Strategy” Is Over Used

Retailers Talk About A Lot of Different “Strategies”

- Sales Strategy
- Advertising Strategy
- Merchandise Strategy
- Location Strategy

Strategy Is Not Just Another Term for A Management Decision
Elements in International Retail Strategy

- **Target Market**
  - Countries and market segment(s) toward which the retailer plans to focus its resources and retail mix

- **Retail Format – Offering to customer**
  - the nature of the retailer’s operations—its retail mix-
  - the skills and resources that the retailer has

- **Sustainable Competitive Advantages**
  - advantages over the competition
Why Does a Retailer Need to Focus on a Specific Counties Target Market? Why Not Sell to Everyone? Military Analog
Criteria For Selecting A Target Market

- Attractiveness -- Large, Growing, Little Competition ➔ More Profits
- Consistent with Your Competitive Advantages

Rim Light/PhotoLink/Getty Images
Internal and External Bases for Competitive Advantage

Retail Firm
- Low Cost
- Large Size
- Efficient Distribution, Operations
- Unique Knowledge
- Loyal Employees

Vendors, Suppliers

Sources of Capital

Customers
Can A Retailer Develop a Sustainable Competitive Advantage by:

- Dropping the Price of Your Merchandise?
- Building a Store at the Best Location?
- Deciding to Sell Some Hot Merchandise?
- Increasing Your Level of Advertising?
- Attracting Better Sales Associates by Paying Higher Wages?
- Providing Better Customer Service?
Sources of Competitive Advantage

More Sustainable
- Location
- Customer Loyalty
- Customer Service
- Exclusive Merchandise
- Low Cost Supply Chain Management
- Information Systems
- Buying Power with Vendors
- Committed Employees (HR)

Less Sustainable
- Better Computers
- More Employees
- More Merchandise
- Greater Assortments
- Lower Prices
- More Advertising
- More Promotions
- Cleaner Stores
Approaches for Building a Sustainable Competitive Advantage

- Customer Loyalty
- Relationship with Suppliers
- Internal Efficiencies
Approaches for Building Customer Loyalty

- Unique Positioning
- Location
- Customer Service
- Personalization using Information About Customers (Database)
- Unique Merchandise
Location

- What are the three most important things in retailing?
  - “location, location, location”
- Why is location a competitive advantage?
Unique Merchandise: Private Labels

Sears’ Kenmore -- appliances

Macy’s ING. – fine apparel

Kmart’s Martha Stewart -- home

JCPenney’s Arizona -- jeans
High Quality Customer Service

- Difficult to Achieve
  - People Are Not Machines -- Inconsistent
  - Retail Sales Associates At Bottom of Labor Pool
- Goes Beyond Hiring Good People at High Wages and Training Them -- Organizational Culture
Internal Efficiencies Human Resources

- “Employees are key to build a sustainable competitive advantage”

- Strategies for Recruiting and Retaining Talented Employees

- Employee Branding

- Develop positive organizational culture
Flow of Information

Vendor

Distribution Center

Store

By decreasing costs here, the is more money available to invest in:

- Better services
- Increase in breadth and depth
- Decrease in prices
Vendor Relationships

- Low Cost - Efficiency Through Coordination
  - Electronic Data Interchange (EDI)
  - Collaborative Planning and Forecasting to Reduce Inventory and Distribution Costs
- Exclusive Sale of Desirable Brands
- Special Treatment
  - Early Delivery of New Styles
  - Shipment of Scare Merchandise
Critical Tradeoff In Developing Strategic Advantage

Focus Leads to Developing
A Competitive Advantage
But
Focus Reduces Flexibility

- Low Cost, Consistent Image, Vendor Relationships Reduces Flexibility
- Similar to Dating and Marriage – Commitment to a Relationship (Vendor) Reduces Flexibility
Criteria for Selecting a Country

- Economic Environment
  - Market size
  - Market growth
- Governmental Environment
  - Trade barriers
  - Regulations on foreign retailers
  - Political stability
- Social and cultural environment
  - Cultural proximity
- Technology Environment
  - Retail information system
- Retail Structure and competition environment
  - Market concentration and competition
  - Available partners
## Opportunities

<table>
<thead>
<tr>
<th></th>
<th>U.S</th>
<th>Germany</th>
<th>France</th>
<th>China</th>
<th>Brazil</th>
<th>India</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (billions)</td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
<td>1.3</td>
<td>0.2</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td>GDP ($ trillion)</td>
<td>14.7</td>
<td>3.0</td>
<td>2.2</td>
<td>9.8</td>
<td>2.2</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>GDP per capita ($/000)</td>
<td>47.4</td>
<td>35.9</td>
<td>33.3</td>
<td>7.4</td>
<td>10.9</td>
<td>3.4</td>
<td>15.9</td>
</tr>
<tr>
<td>telephones (billions)</td>
<td>141.0</td>
<td>48.7</td>
<td>39.5</td>
<td>314.0</td>
<td>41.5</td>
<td>35.8</td>
<td>44.8</td>
</tr>
<tr>
<td>Mobile Telephone (millions)</td>
<td>280.0</td>
<td>105.0</td>
<td>61.0</td>
<td>747.0</td>
<td>174.0</td>
<td>570.0</td>
<td>330.0</td>
</tr>
<tr>
<td>Internet users (millions)</td>
<td>245.0</td>
<td>65.1</td>
<td>45.3</td>
<td>389.0</td>
<td>76.0</td>
<td>61.3</td>
<td>40.9</td>
</tr>
<tr>
<td>Internet hosts (millions)</td>
<td>439.0</td>
<td>21.7</td>
<td>15.1</td>
<td>15.2</td>
<td>19.3</td>
<td>4.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Railway (000 miles)</td>
<td>227.0</td>
<td>42.0</td>
<td>29.0</td>
<td>78.0</td>
<td>29.0</td>
<td>64.0</td>
<td>87.0</td>
</tr>
<tr>
<td>Roadways (000 trillions)</td>
<td>6.5</td>
<td>0.6</td>
<td>1.0</td>
<td>3.6</td>
<td>1.8</td>
<td>3.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Airports (thousands)</td>
<td>15.1</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>4.1</td>
<td>0.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Retail sales ($ trillions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth in sales (%)</td>
<td>10.9</td>
<td>12.8</td>
<td>7.6</td>
<td>10.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentration (% sales top 4)</td>
<td>3.5</td>
<td>16</td>
<td>1.5</td>
<td>10.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk (100 least risky)</td>
<td>82.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Rebalancing Act

Consumer spending as share of GDP

Projected

U.S.

U.K.

Germany

China

Sources: Country sources; OECD; Moody’s Analytics
### 2010 Global Retail Development Index (A.T. Kearney)

**Figure 1: The 2010 Global Retail Development Index™ — Top 10**

<table>
<thead>
<tr>
<th>2010 rank</th>
<th>Country</th>
<th>Region</th>
<th>Market attractiveness (25%)</th>
<th>Country risk (25%)</th>
<th>Market saturation (25%)</th>
<th>Time pressure (25%)</th>
<th>GRDI score</th>
<th>Change in rank compared to 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>Asia</td>
<td>50.6</td>
<td>85.8</td>
<td>32.9</td>
<td>86.6</td>
<td>64.0</td>
<td>+2</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>MENA</td>
<td>75.4</td>
<td>94.3</td>
<td>56.2</td>
<td>24.5</td>
<td>62.6</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>Asia</td>
<td>35.4</td>
<td>51.3</td>
<td>62.2</td>
<td>97.8</td>
<td>61.7</td>
<td>−2</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>MENA</td>
<td>65.3</td>
<td>86.5</td>
<td>50.7</td>
<td>31.0</td>
<td>58.4</td>
<td>+1</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>Latin America</td>
<td>73.5</td>
<td>74.3</td>
<td>46.6</td>
<td>36.9</td>
<td>57.8</td>
<td>+3</td>
</tr>
<tr>
<td>6</td>
<td>Chile</td>
<td>Latin America</td>
<td>71.8</td>
<td>92.3</td>
<td>27.5</td>
<td>38.3</td>
<td>57.5</td>
<td>+1</td>
</tr>
<tr>
<td>7</td>
<td>United Arab Emirates</td>
<td>MENA</td>
<td>79.1</td>
<td>100.0</td>
<td>18.8</td>
<td>32.0</td>
<td>57.5</td>
<td>−3</td>
</tr>
<tr>
<td>8</td>
<td>Uruguay</td>
<td>Latin America</td>
<td>67.7</td>
<td>74.3</td>
<td>58.6</td>
<td>23.1</td>
<td>55.9</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>Peru</td>
<td>Latin America</td>
<td>43.4</td>
<td>54.6</td>
<td>72.2</td>
<td>49.2</td>
<td>54.9</td>
<td>+9</td>
</tr>
<tr>
<td>10</td>
<td>Russia</td>
<td>Eastern Europe</td>
<td>63.5</td>
<td>55.1</td>
<td>32.0</td>
<td>61.8</td>
<td>53.1</td>
<td>−8</td>
</tr>
</tbody>
</table>

**Legend:**
- 0 = no time pressure
- 100 = urgency to enter
- 0 = not saturated
- 100 = saturated
- 0 = low risk
- 100 = high risk
- 0 = low attractiveness
- 100 = high attractiveness

**Key:**
- On the radar screen
- Lower priority
- To consider

**Notes:**
- MENA = Middle East and North Africa
- Scores are rounded

**Sources:**
- Euromoney
- Population Reference Bureau
- International Monetary Fund
- World Bank
- World Economic Forum
- Economist Intelligence Unit
- Planet Retail
- A.T. Kearney analysis
Figure 2: The GRDI window-of-opportunity analysis

<table>
<thead>
<tr>
<th>Opening</th>
<th>Peaking</th>
<th>Maturing</th>
<th>Closing</th>
</tr>
</thead>
</table>

**Definition**
- **Opening**: Middle class is growing; consumers are willing to explore organized formats; government is relaxing restrictions
- **Peaking**: Consumers seek organized formats and greater exposure to global brands; retail shopping districts are being developed; real estate is affordable and available
- **Maturing**: Consumer spending has expanded significantly; desirable real estate is more difficult to secure; local competition has become more sophisticated
- **Closing**: Consumers are accustomed to modern retail; discretionary spending is higher; competition is fierce both from local and foreign retailers; real estate is expensive and not readily available

**Method of entry**
- **Opening**: Minority investment in local retailer
- **Peaking**: Organic, such as through directly operated stores
- **Maturing**: Typically organic, but focused on tier 2 and 3 cities
- **Closing**: Acquisitions

**Labor strategy**
- **Opening**: Identify local skilled labor for management positions
- **Peaking**: Hire and train local talent and balance the expatriate mix
- **Maturing**: Change balance from expatriate to local staff
- **Closing**: Use mostly local staff

*Source: A.T. Kearney analysis*
International Expansion Opportunities

Why China?

- Economic Factors
  - The Largest Market Size
    - The market size of China is the sum of the other three BIRC countries in 2010.
  - Stable High Market Growth
    - China has continued a double digit growth rate from 2005 to 2010.
Why China? (Cont.)

- Industry Structure
  - The market is largely fragmented.
  - Chinese retailers are regional.
  - The sizes of Chinese retailers are relatively small.
  - Huge opportunities for foreign retailers.
International Expansion Opportunities

Why China? (Cont.)

- **Political Environment**
  - Socialist market economy with Chinese characteristics
  - Focus on reforms and economic development

- **Technological Environment**
  - China has better infrastructure than other developing countries.
  - Chinese government encourages retailers to adopt advanced information system
International Expansion Opportunities

Video on the interview with the CEO of Wal-Mart, China (Ed Chan)

2. Globalization of Retailing
Agenda

- Globalization of retail industry
- BRIC countries
Why do retailers (businesses) expand internationally?
Motivation for International Expansion

- Increase Sales
  - International markets more attractive than domestic markets
  - Saturated home market and low growth potential
  - Intensive competition at home
  - Expansion at home blocked by politics/legislation
  - Economic downturn at home

- Reduce Costs
  - Scale economies
  - Economies of scope

- Diversify Risk – Reduce uncertainty
Why Have Retailers Been Slower to Expand Internationally than manufacturers?

$40B vs 400B  100’s vs 15 countries
# Top 20 Retailers in the World

Information source: GMID, Euromonitor

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Retailer</th>
<th>Country of origin</th>
<th>2009 Sales ($millions)</th>
<th>Type</th>
<th># of countries of operation</th>
<th>% of sales in foreign countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart Stores, Inc</td>
<td>USA</td>
<td>163,532.00</td>
<td>International</td>
<td>15</td>
<td>13.9%</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour Group</td>
<td>FRA</td>
<td>52,196.10</td>
<td>International</td>
<td>40</td>
<td>37.70%</td>
</tr>
<tr>
<td>3</td>
<td>The Kroger Co</td>
<td>USA</td>
<td>45,352.00</td>
<td>Single Country</td>
<td>1</td>
<td>0.00%</td>
</tr>
<tr>
<td>4</td>
<td>Metro AG</td>
<td>GER</td>
<td>44,163.37</td>
<td>International</td>
<td>35</td>
<td>40.00%</td>
</tr>
<tr>
<td>5</td>
<td>The Home Depot, Inc</td>
<td>USA</td>
<td>38,434.00</td>
<td>International</td>
<td>5</td>
<td>3.70%</td>
</tr>
<tr>
<td>6</td>
<td>Albertson’s, Inc</td>
<td>USA</td>
<td>37,478.00</td>
<td>Single Country</td>
<td>1</td>
<td>0.00%</td>
</tr>
<tr>
<td>7</td>
<td>ITM Enterprises SA</td>
<td>FRA</td>
<td>36,762.45</td>
<td>International</td>
<td>10</td>
<td>36.00%</td>
</tr>
<tr>
<td>8</td>
<td>Sears, Roebuck and CO</td>
<td>USA</td>
<td>36,728.00</td>
<td>International</td>
<td>3</td>
<td>10.60%</td>
</tr>
<tr>
<td>9</td>
<td>Kmart Corporation</td>
<td>USA</td>
<td>35,925.00</td>
<td>Single Country</td>
<td>1</td>
<td>0.00%</td>
</tr>
<tr>
<td>10</td>
<td>Target Corporation</td>
<td>USA</td>
<td>33,702.00</td>
<td>Single Country</td>
<td>1</td>
<td>0.00%</td>
</tr>
<tr>
<td>11</td>
<td>JC Penney</td>
<td>USA</td>
<td>31,503.50</td>
<td>Single Country</td>
<td>1</td>
<td>0.00%</td>
</tr>
<tr>
<td>12</td>
<td>Royal Ahold</td>
<td>NET</td>
<td>31,222.15</td>
<td>International</td>
<td>12</td>
<td>76.40%</td>
</tr>
<tr>
<td>13</td>
<td>Safeway Inc.</td>
<td>USA</td>
<td>30,801.80</td>
<td>International</td>
<td>8</td>
<td>10.80%</td>
</tr>
<tr>
<td>14</td>
<td>Rewe-Gruppe</td>
<td>GER</td>
<td>30,567.69</td>
<td>International</td>
<td>18</td>
<td>19.70%</td>
</tr>
<tr>
<td>15</td>
<td>Tesco plc</td>
<td>UK</td>
<td>30,404.40</td>
<td>International</td>
<td>14</td>
<td>10.00%</td>
</tr>
<tr>
<td>16</td>
<td>Ito-Yokado Co, Ltd</td>
<td>JPN</td>
<td>30,237.57</td>
<td>International</td>
<td>2</td>
<td>29.80%</td>
</tr>
<tr>
<td>17</td>
<td>Edeka-Gruppe</td>
<td>GER</td>
<td>30,002.57</td>
<td>International</td>
<td>2</td>
<td>2.40%</td>
</tr>
<tr>
<td>18</td>
<td>Costco Companies, Inc</td>
<td>USA</td>
<td>26,976.45</td>
<td>International</td>
<td>8</td>
<td>18.40%</td>
</tr>
<tr>
<td>19</td>
<td>Tengelmann Warenhande</td>
<td>GER</td>
<td>26,509.12</td>
<td>International</td>
<td>15</td>
<td>47.90%</td>
</tr>
<tr>
<td>20</td>
<td>The Daiei, Inc</td>
<td>JPN</td>
<td>26,486.11</td>
<td>Single country</td>
<td>1</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
Why are European retailers more global than U.S. retailers?
3. Evaluating International Opportunities-BRIC Countries
Foreign Retail Entry in China

Expansion of Wal-mart in China (Cont.)

- Video: The 100\textsuperscript{th} Wal-Mart store in China
  - [http://www.youtube.com/watch?v=x65efvLryqY](http://www.youtube.com/watch?v=x65efvLryqY)

- Video: 300 Wal-Mart stores in China
  - [http://www.youtube.com/watch?v=gGtQDL6Olil](http://www.youtube.com/watch?v=gGtQDL6Olil)
Agenda

- BRIC Countries

- Why is China an attractive market?
Target Decides to Become a Global Retailer

- What criteria should it use to evaluate international opportunities?
- Which country should they enter first?
Criteria for Selecting a Country

- Economic Environment
  - Market size
  - Market growth
- Governmental Environment
  - Trade barriers
  - Regulations on foreign retailers
  - Political stability
- Social and cultural environment
  - Cultural proximity
- Technology Environment
  - Retail information system
- Retail Structure and competition environment
  - Market concentration and competition
  - Available partners
Criteria For Selecting an International Market

- Attractiveness -- Large, Growing, Limited competition and regulation \(\Rightarrow\) More Profits
- Exploit with Your Bases of Competitive Advantages
  - Brand image/reputation
  - Information systems
  - supply chain management \(\Rightarrow\) Sustain profits over time
  - Unique private label merchandise
  - Vendor relationships
Comparison of BRIC countries on Criteria

- Comparison among BRIC (Brazil, Russia, India and China)
  - Market Size
  - Market Growth
  - Market Concentration
<table>
<thead>
<tr>
<th></th>
<th>U.S</th>
<th>Germany</th>
<th>France</th>
<th>China</th>
<th>Brazil</th>
<th>India</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (billions)</td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
<td>1.3</td>
<td>0.2</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td>GDP ($ trillion)</td>
<td>14.7</td>
<td>3.0</td>
<td>2.2</td>
<td>9.8</td>
<td>2.2</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>GDP per capita ($/000)</td>
<td>47.4</td>
<td>35.9</td>
<td>33.3</td>
<td>7.4</td>
<td>10.9</td>
<td>3.4</td>
<td>15.9</td>
</tr>
<tr>
<td>telephones (billions)</td>
<td>141.0</td>
<td>48.7</td>
<td>39.5</td>
<td>314.0</td>
<td>41.5</td>
<td>35.8</td>
<td>44.8</td>
</tr>
<tr>
<td>Mobile Telephone (millions)</td>
<td>280.0</td>
<td>105.0</td>
<td>61.0</td>
<td>747.0</td>
<td>174.0</td>
<td>570.0</td>
<td>330.0</td>
</tr>
<tr>
<td>Internet users (millions)</td>
<td>245.0</td>
<td>65.1</td>
<td>45.3</td>
<td>389.0</td>
<td>76.0</td>
<td>61.3</td>
<td>40.9</td>
</tr>
<tr>
<td>Internet hosts (millions)</td>
<td>439.0</td>
<td>21.7</td>
<td>15.1</td>
<td>15.2</td>
<td>19.3</td>
<td>4.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Railway (000 miles)</td>
<td>227.0</td>
<td>42.0</td>
<td>29.0</td>
<td>78.0</td>
<td>29.0</td>
<td>64.0</td>
<td>87.0</td>
</tr>
<tr>
<td>Roadways (000 trillions)</td>
<td>6.5</td>
<td>0.6</td>
<td>1.0</td>
<td>3.6</td>
<td>1.8</td>
<td>3.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Airports (thousands)</td>
<td>15.1</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>4.1</td>
<td>0.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Retail sales ($ trillions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.9</td>
<td>12.8</td>
<td>7.6</td>
</tr>
<tr>
<td>Growth in sales (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentration (% sales top 4)</td>
<td></td>
<td>3.5</td>
<td>16</td>
<td>1.5</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk (100 least risky)</td>
<td></td>
<td>82.1</td>
<td></td>
<td>72.6</td>
<td>69.8</td>
<td>62.8</td>
<td>61.5</td>
</tr>
</tbody>
</table>
2010 Global Retail Development Index (A.T. Kearney)

**Figure 1:** The 2010 Global Retail Development Index™ — Top 10

<table>
<thead>
<tr>
<th>2010 rank</th>
<th>Country</th>
<th>Region</th>
<th>Market attractiveness (25%)</th>
<th>Country risk (25%)</th>
<th>Market saturation (25%)</th>
<th>Time pressure (25%)</th>
<th>GRDI score</th>
<th>Change in rank compared to 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>Asia</td>
<td>50.6</td>
<td>85.8</td>
<td>32.9</td>
<td>86.6</td>
<td>64.0</td>
<td>+2</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>MENA</td>
<td>75.4</td>
<td>94.3</td>
<td>56.2</td>
<td>24.5</td>
<td>62.6</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>Asia</td>
<td>35.4</td>
<td>51.3</td>
<td>62.2</td>
<td>97.8</td>
<td>61.7</td>
<td>-2</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>MENA</td>
<td>65.3</td>
<td>86.5</td>
<td>50.7</td>
<td>31.0</td>
<td>58.4</td>
<td>+1</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>Latin America</td>
<td>73.5</td>
<td>74.3</td>
<td>46.6</td>
<td>36.9</td>
<td>57.8</td>
<td>+3</td>
</tr>
<tr>
<td>6</td>
<td>Chile</td>
<td>Latin America</td>
<td>71.8</td>
<td>92.3</td>
<td>27.5</td>
<td>38.3</td>
<td>57.5</td>
<td>+1</td>
</tr>
<tr>
<td>7</td>
<td>United Arab Emirates</td>
<td>MENA</td>
<td>79.1</td>
<td>100.0</td>
<td>18.8</td>
<td>32.0</td>
<td>57.5</td>
<td>-3</td>
</tr>
<tr>
<td>8</td>
<td>Uruguay</td>
<td>Latin America</td>
<td>67.7</td>
<td>74.3</td>
<td>58.6</td>
<td>23.1</td>
<td>55.9</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>Peru</td>
<td>Latin America</td>
<td>43.4</td>
<td>54.6</td>
<td>72.2</td>
<td>49.2</td>
<td>54.9</td>
<td>+9</td>
</tr>
<tr>
<td>10</td>
<td>Russia</td>
<td>Eastern Europe</td>
<td>63.5</td>
<td>55.1</td>
<td>32.0</td>
<td>61.8</td>
<td>53.1</td>
<td>-8</td>
</tr>
</tbody>
</table>

**Key:**
- [ ] On the radar screen
- [ ] Lower priority
- [ ] To consider

**Legend:**
- 0 = low attractiveness
- 100 = high attractiveness
- 0 = high risk
- 100 = low risk
- 0 = saturated
- 100 = not saturated
- 0 = no time pressure
- 100 = urgency to enter

**Notes:** MENA = Middle East and North Africa; Scores are rounded.

**Sources:** Euromoney, Population Reference Bureau, International Monetary Fund, World Bank, World Economic Forum, Economist Intelligence Unit, Planet Retail, A.T. Kearney analysis.
### 2010 Global Retail Development Index (A.T. Kearney)

**Figure 2: The GRDI window-of-opportunity analysis**

<table>
<thead>
<tr>
<th>Opening</th>
<th>Peaking</th>
<th>Maturing</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High priority</strong></td>
<td><strong>Peaking</strong></td>
<td><strong>Maturing</strong></td>
<td><strong>Closing</strong></td>
</tr>
<tr>
<td>South Africa (2010)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Definition**
- **Opening**: Middle class is growing; consumers are willing to explore organized formats; government is relaxing restrictions.
- **Peaking**: Consumers seek organized formats and greater exposure to global brands; retail shopping districts are being developed; real estate is affordable and available.
- **Maturing**: Consumer spending has expanded significantly; desirable real estate is more difficult to secure; local competition has become more sophisticated.
- **Closing**: Consumers are accustomed to modern retail; discretionary spending is higher; competition is fierce both from local and foreign retailers; real estate is expensive and not readily available.

**Method of entry**
- **Opening**: Minority investment in local retailer.
- **Peaking**: Organic, such as through directly operated stores.
- **Maturing**: Typically organic, but focused on tier 2 and 3 cities.
- **Closing**: Acquisitions.

**Labor strategy**
- **Opening**: Identify local skilled labor for management positions.
- **Peaking**: Hire and train local talent and balance the expatriate mix.
- **Maturing**: Change balance from expatriate to local staff.
- **Closing**: Use mostly local staff.

*Source: A.T. Kearney analysis*
Expected average annual growth rates

G4 | India | China | Brazil | Russia
---|-------|-------|--------|--------
1.5 | 5.8   | 4.7   | 3.7    | 3.3    

Source: Goldman Sachs
Factoids about Brazil

- 71% of Brazilians agree that “music is an important part of my life”
- 33% have participated in trips to the beach in the last 30 days
- 76% agree that “it is important to be attractive to the opposite sex”
- 65% agree that “it is important to keep young looking”
- 32% express the desire for plastic surgery in order to improve their appearance
Factoids about Russia

- 31% of Russians agree that “I feel I get a raw deal out of life”
- 48% agree that “it’s difficult to survive nowadays without violating the laws”
- 39% agree that “there’s no point in having insurance”
- 31% agree that “I believe in miracles”
Factoids About India

- Top sports to watch on TV:
  1. Cricket (33m)
  2. Soccer (8m)

- Top sports paid to attend:
  1. Cricket (2m)
  2. Soccer (0.8m)

- Top sports to play:
  1. Cricket (8m)
  2. Badminton (4m)

- Value of Nike’s sponsorship of Indian national cricket team: $44m over 5 years
China

- Top three brands of cellphone:
  - Nokia
  - Motorola
  - Samsung

- Top three brands of washing machine:
  - Haier
  - Little Swan
  - Royalstar

- Many Chinese want to demonstrate their status and achievement, so buy western brands for ‘show’.

- But they aren’t made of money, so for items that aren’t seen by others, they buy reliable local brands
Social Indicators: Education

Source: Global TGI

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)
Social Indicators: Household Size

- **Brazil**: 19% (1-2 persons), 51% (3-4 persons), 30% (5+ persons)
- **Russia**: 10% (1-2 persons), 63% (3-4 persons), 27% (5+ persons)
- **India**: 7% (1-2 persons), 48% (3-4 persons), 46% (5+ persons)
- **China**: 16% (1-2 persons), 71% (3-4 persons), 22% (5+ persons)
- **US**: 41% (1-2 persons), 44% (3-4 persons), 12% (5+ persons)
- **Europa**: 12% (1-2 persons), 52% (3-4 persons), 36% (5+ persons)

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)

Source: Global TGI
Ownership of items: Automobile

Have Automobile

- **Brazil**: 42%
- **Russia**: 30%
- **India**: 12%
- **China**: 14%
- **US**: 91%
- **Europa**: 86%

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)

Source: Global TGI
Ownership of items: PC

Have a PC

- **Brazil**: 34%
- **Russia**: 34%
- **India**: 10%
- **China**: 51%
- **US**: 81%
- **Europa**: 70%

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)

Source: Global TGI
Three Relevant Groups

- Answers are very similar in all the BRICs countries, indicating that they share the same pattern of attitudes or values:
  - Shared also by the western countries. This group is called **Universal** values.
  - Contrast between BRICs and western attitudes and values. We have called these **Specific** values.

- Attitudes and values which vary within BRICs countries, indicating that these may be too localized to be compared, or even divergent. These are the **Divergent** values.
Universal Values

“How I spend my time is more important than the money I make”

“I have a practical outlook on life”

“It is important to keep young-looking”

“I enjoy spending time with my family”

“I think it’s important to have a lasting relationship with one partner”

“I don’t like the idea of being in debt”
Universal Values

"I don't like the idea of being in debt"

Brazil: 75%  Russia: 68%  India: 61%  China: 67%  US: 76%  Europa: 79%

"I enjoy spending time with my family"

Brazil: 75%  Russia: 74%  India: 62%  China: 68%  US: 85%  Europa: 81%

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)

Source: Global TGI
Universal Values

- **Universal** values are heavily related to the importance of the family.

- They reflect conservative behavior and a lack of adventurousness.

- Brand images related to conservative and unadventurous values can be considered to be risk-free and can be positively associated with universal values.
Specific Values

“I like to pursue a life of challenge, novelty and change”

“It's important my family thinks I'm doing well”

“Because of my busy lifestyle, I don't take care of myself as well as I should”

“I really enjoy any kind of shopping”

“Money is the best measure of success”

“I would be prepared to pay more for environmentally friendly products”
Specific Values

"It's important my family thinks I'm doing well"

"Money is the best measure of success"

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europa)

Source: Global TGI

Brazil: 74%, Russia: 67%, India: 57%, China: 65%, US: 52%, Europa: 42%

Brazil: 46%, Russia: 58%, India: 44%, China: 57%, US: 22%, Europa: 27%
Specific Values

- **Specific** values are related towards one’s image in the face of one’s family or society.

- Success seems to be the driving force behind most of these specific statements.

- Success and social aspiration can be positively associated with brands in most BRICs countries, as the struggle for social ascension is considered to be a sign of a healthy society.
Divergent Values

“I am a vegetarian”

“My faith is really important to me”

“Real men don't cry”

“I am very good at managing money”

“I like taking risks”

“It is important to be attractive to the opposite sex”

“I like to stand out in a crowd”
Divergent Values

"I like to stand out in a crowd"

- Brazil: 35%
- Russia: 30%
- India: 25%
- China: 23%
- US: 62%
- Europa: 53%

"It's important to be attractive to the opposite sex"

- Brazil: 76%
- Russia: 65%
- India: 46%
- China: 38%
- US: 53%
- Europa: 62%

Base: 20-54 year olds, living in main cities (BRICS); all (US, Europe)

Source: Global TGI
Divergent Values

- **Divergent** values are related to very local attitudes or values, and often involve controversial issues rooted in local culture.

- Global companies have to be extremely careful regarding controversial issues, which may work very well in some countries but can become destructive in others.

- The widest differences from international ‘norms’ exist in China and India. Especially in their major cities, status is a key driver. Brands that convey it can do well.
Brands – Experimentation and Loyalty

"I like to try out new food products"  
"Once I find a brand I like I tend to stick to it"

Brazil  Russia  India  China

58%  53%  52%  74%
73%  55%  69%  76%

Base: 20-54 year olds, living in main cities  
Source: Global TGI
Communications – Openness and Word of Mouth

"I find advertising a waste of my time"  "I ask people's advice before buying things"

<table>
<thead>
<tr>
<th>Country</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>59%</td>
<td>36%</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>46%</td>
<td>54%</td>
<td>51%</td>
<td>45%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Global TGI

Base: 20-54 year olds, living in main cities

Source: Global TGI
Orientation – International and Local Focus

"I am interested in international events"

- Brazil: 63%
- Russia: 66%
- India: 46%
- China: 68%

"I buy goods produced in my own country whenever I can"

- Brazil: 68%
- Russia: 50%
- India: 50%
- China: 52%

Source: Global TGI
Base: 20-54 year olds, living in main cities
And yet...

- 63% of Indian consumers agree that they “really like it that more and more international brands are available in India nowadays”.

- 53% of Chinese consumers agree that they are “drawn to the lifestyles of developed nations”.

- Opportunities for companies able to invest their brands with ‘status points’.
Why China?

- **Economic Factors**
  - The biggest market size
    - The market size of China is the sum of the other three BIRC countries in 2010
  - Stable high market growth
    - China has kept two-digit growth rate from 2005 to 2010

- **Industry Structure**
  - The market is largely fragmented
  - Chinese retailers are regional.
  - The size of Chinese retailers are relative small.
Rebalancing Act

Consumer spending as share of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>U.K.</th>
<th>Germany</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>'10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Country sources; OECD; Moody’s Analytics
Why China? (Cont.)

- **Political environment**
  - Socialist market economy with Chinese characteristics
  - Stable government
  - Focus on reforms and economic development
  - Encourages foreign investment

- **Technology Environment**
  - China has better infrastructure than other developing countries.
  - Government investing in infrastructure
## Foreign Retailers in China

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Retailer</th>
<th>Sales (10,000 ¥)</th>
<th>Growth (%)</th>
<th># of stores</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Yum!</td>
<td>2,880,000</td>
<td>9.9</td>
<td>3,200</td>
<td>18.5</td>
</tr>
<tr>
<td>15</td>
<td>Best Buy</td>
<td>2,570,000</td>
<td></td>
<td>262</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Trust-mart</td>
<td>1,650,000</td>
<td>0.6</td>
<td>104</td>
<td>0.0</td>
</tr>
<tr>
<td>27</td>
<td>Tesco</td>
<td>1,330,000</td>
<td>15.7</td>
<td>79</td>
<td>29.5</td>
</tr>
<tr>
<td>29</td>
<td>Locus</td>
<td>1,300,000</td>
<td>0.0</td>
<td>77</td>
<td>1.3</td>
</tr>
<tr>
<td>30</td>
<td>Parkson</td>
<td>1,237,000</td>
<td>15.7</td>
<td>44</td>
<td>10.0</td>
</tr>
<tr>
<td>31</td>
<td>Metro</td>
<td>1,202,277</td>
<td>-4.9</td>
<td>42</td>
<td>10.5</td>
</tr>
<tr>
<td>39</td>
<td>Auchan</td>
<td>986,000</td>
<td>21.0</td>
<td>35</td>
<td>12.9</td>
</tr>
<tr>
<td>45</td>
<td>Intime</td>
<td>758,659</td>
<td>34.9</td>
<td>22</td>
<td>46.7</td>
</tr>
<tr>
<td>50</td>
<td>MacDonald</td>
<td>650,000</td>
<td>6.6</td>
<td>1,100</td>
<td>10.0</td>
</tr>
<tr>
<td>62</td>
<td>Ito Yokada</td>
<td>351,380</td>
<td>21.9</td>
<td>3</td>
<td>0.0</td>
</tr>
<tr>
<td>68</td>
<td>IKEA</td>
<td>312,000</td>
<td>15.6</td>
<td>7</td>
<td>16.7</td>
</tr>
<tr>
<td>100</td>
<td>Home Depot</td>
<td>160,000</td>
<td>4.6</td>
<td>12</td>
<td>0.0</td>
</tr>
</tbody>
</table>
# Leading Retailers in China (CCFA, 2010)

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Retailer</th>
<th>2009 Sales (10,000 ¥)</th>
<th>Growth (%)</th>
<th># of stores</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Suning</td>
<td>11,700,267</td>
<td>14.3</td>
<td>941</td>
<td>15.9</td>
</tr>
<tr>
<td>2</td>
<td>Gome</td>
<td>10,680,165</td>
<td>2.1</td>
<td>1,170</td>
<td>-14.1</td>
</tr>
<tr>
<td>3</td>
<td>Bailian</td>
<td>9,791,537</td>
<td>3.8</td>
<td>6,153</td>
<td>-4.1</td>
</tr>
<tr>
<td>4</td>
<td>Dashang</td>
<td>7,053,590</td>
<td>12.8</td>
<td>160</td>
<td>6.7</td>
</tr>
<tr>
<td>5</td>
<td>China Resources Vanguard</td>
<td>6,800,000</td>
<td>6.6</td>
<td>2,926</td>
<td>8.5</td>
</tr>
<tr>
<td>6</td>
<td>RT-Mart</td>
<td>4,043,169</td>
<td>20.5</td>
<td>121</td>
<td>19.8</td>
</tr>
<tr>
<td>7</td>
<td>Carrefour</td>
<td>3,660,000</td>
<td>8.2</td>
<td>156</td>
<td>16.4</td>
</tr>
<tr>
<td>8</td>
<td>Anhui Huishang</td>
<td>3,437,883</td>
<td>13.5</td>
<td>2,884</td>
<td>15.5</td>
</tr>
<tr>
<td>9</td>
<td>Wal-Mart</td>
<td>3,400,000</td>
<td>22.2</td>
<td>175</td>
<td>45.8</td>
</tr>
<tr>
<td>10</td>
<td>Wu-mart</td>
<td>3,270,000</td>
<td>6.7</td>
<td>2,333</td>
<td>16.1</td>
</tr>
</tbody>
</table>
Case Study

Best Buy in China

Video On the Opening of Best Buy Shanghai Store

http://www.youtube.com/watch?v=zMABUmlOQdE
4. **Foreign Retail Entry into China**
Foreign Retail Entry Decisions

- Entry Mode
- Location
- Time
- Format
Foreign Retail Entry Decisions

- Entry Mode

- Export
- Contract Management
- Licensing Franchising
- Join Venture
- Wholly owned

Risk, Control, and Resource
Foreign Retail Entry in China

- **Entry Mode**
  - Franchising
    - MacDonald and Sogo
  - Contract Management
    - Parkson
  - Joint Venture
    - Carrefour
  - Solely Owned
    - Tesco (Merger and Acquisition)
    - Best Buy (Green field)
    - Increased after 2004
  - Foreign Manufacturer’s Specialty Store
    - Pierre Cardin and Play Boy
Foreign Retail Entry in China

- Entry Format
  - Department Store
    - Ito Yokada
  - Hypermarket/supercenter
    - Carrefour, Wal-mart, Tesco, Auchan
    - Foreign retailers have 70% market share
  - Warehouse
    - Metro
  - Specialty/ specialist Store
    - Ikea, B&Q, Best Buy
  - Convenience Store
    - 7-11
Foreign Retail Entry in China

- **Locations**
  - Their first entries are in Beijing, Shanghai, Guangzhou and Shenzhen, and their headquarters are mainly in these four cities.
  - Eastern China has a much higher density than Western China.
  - Yangzi river delta, Pearl river delta and Bohai Circle have the greatest density.
  - Sichuan and Chongqing are emerging areas.
  - Foreign retailers have entered most of the provinces and all the major economic cities.
  - Foreign retailers are conducting large-scale expansion into lower tier cities.
Geographic Areas
# Foreign Retail Entries in China

(Li and Wang, 2006)

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Country</th>
<th>City</th>
<th>Format</th>
<th>Retailer</th>
<th>Country</th>
<th>City</th>
<th>Format</th>
</tr>
</thead>
</table>
### Leading Retailers in China (CCFA, 2010)

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Retailer</th>
<th>2009 Sales (10,000 ¥)</th>
<th>Growth (%)</th>
<th># of stores</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Suning</td>
<td>11,700,267</td>
<td>14.3</td>
<td>941</td>
<td>15.9</td>
</tr>
<tr>
<td>2</td>
<td>Gome</td>
<td>10,680,165</td>
<td>2.1</td>
<td>1,170</td>
<td>-14.1</td>
</tr>
<tr>
<td>3</td>
<td>Bailian</td>
<td>9,791,537</td>
<td>3.8</td>
<td>6,153</td>
<td>-4.1</td>
</tr>
<tr>
<td>4</td>
<td>Dashang</td>
<td>7,053,590</td>
<td>12.8</td>
<td>160</td>
<td>6.7</td>
</tr>
<tr>
<td>5</td>
<td>China Resources Vanguard</td>
<td>6,800,000</td>
<td>6.6</td>
<td>2,926</td>
<td>8.5</td>
</tr>
<tr>
<td>6</td>
<td>RT-Mart</td>
<td>4,043,169</td>
<td>20.5</td>
<td>121</td>
<td>19.8</td>
</tr>
<tr>
<td>7</td>
<td>Carrefour</td>
<td>3,660,000</td>
<td>8.2</td>
<td>156</td>
<td>16.4</td>
</tr>
<tr>
<td>8</td>
<td>Anhui Huishang</td>
<td>3,437,883</td>
<td>13.5</td>
<td>2,884</td>
<td>15.5</td>
</tr>
<tr>
<td>9</td>
<td>Wal-Mart</td>
<td>3,400,000</td>
<td>22.2</td>
<td>175</td>
<td>45.8</td>
</tr>
<tr>
<td>10</td>
<td>Wu-mart</td>
<td>3,270,000</td>
<td>6.7</td>
<td>2,333</td>
<td>16.1</td>
</tr>
</tbody>
</table>
## Foreign Retailers in China

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Retailer</th>
<th>Sales (10,000 ¥)</th>
<th>Growth (%)</th>
<th># of stores</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Yum!</td>
<td>2,880,000</td>
<td>9.9</td>
<td>3,200</td>
<td>18.5</td>
</tr>
<tr>
<td>15</td>
<td>Best Buy</td>
<td>2,570,000</td>
<td></td>
<td>262</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Trust-mart</td>
<td>1,650,000</td>
<td>0.6</td>
<td>104</td>
<td>0.0</td>
</tr>
<tr>
<td>27</td>
<td>Tesco</td>
<td>1,330,000</td>
<td>15.7</td>
<td>79</td>
<td>29.5</td>
</tr>
<tr>
<td>29</td>
<td>Locus</td>
<td>1,300,000</td>
<td>0.0</td>
<td>77</td>
<td>1.3</td>
</tr>
<tr>
<td>30</td>
<td>Parkson</td>
<td>1,237,000</td>
<td>15.7</td>
<td>44</td>
<td>10.0</td>
</tr>
<tr>
<td>31</td>
<td>Metro</td>
<td>1,202,277</td>
<td>-4.9</td>
<td>42</td>
<td>10.5</td>
</tr>
<tr>
<td>39</td>
<td>Auchan</td>
<td>986,000</td>
<td>21.0</td>
<td>35</td>
<td>12.9</td>
</tr>
<tr>
<td>45</td>
<td>Intime</td>
<td>758,659</td>
<td>34.9</td>
<td>22</td>
<td>46.7</td>
</tr>
<tr>
<td>50</td>
<td>MacDonald</td>
<td>650,000</td>
<td>6.6</td>
<td>1,100</td>
<td>10.0</td>
</tr>
<tr>
<td>62</td>
<td>Ito Yokada</td>
<td>351,380</td>
<td>21.9</td>
<td>3</td>
<td>0.0</td>
</tr>
<tr>
<td>68</td>
<td>IKEA</td>
<td>312,000</td>
<td>15.6</td>
<td>7</td>
<td>16.7</td>
</tr>
<tr>
<td>100</td>
<td>Home Depot</td>
<td>160,000</td>
<td>4.6</td>
<td>12</td>
<td>0.0</td>
</tr>
</tbody>
</table>
Foreign Retail Entry in China

Expansion of Carrefour in China

- In 1995, they entered China in Shanghai.
- They expanded aggressively.
  - They entered major cities 2-3 years sooner than Wal-mart and Metro.
  - In 1999, they had 28 stores in 17 cities.
- They are currently the No. 1 foreign retailer in China.
  - 169 Hypermarkets in China (as of November, 2010)
Foreign Retail Entry in China

Expansion of Wal-mart in China

- Entered China in 1996
- Headquartered in Shenzhen
- Operates three formats in China: Supercenters, Sam’s Clubs, and neighborhood stores.
- 1996-2004 Slow Growth
  - Wal-mart is not flexible and doesn’t adapt to the China market
  - Underdeveloped Infrastructures and IT Systems in China
  - 2004, Ranking 20, <1/2 Carrefour
Expansion of Wal-mart in China (Cont.)

- After 2004, Fast Growth
  - Adapted to Chinese Markets
    - Worked with Intermediate Agents
    - Decentralized Management
    - Opened Stores in Urban Areas
    - Established Unions and Communist Party Branch
    - Adjusted Pricing Policies
  - Government Policies Became More Open
  - Significantly Improved Infrastructure in China
  - Consumer Market Booming
Expansion of Wal-mart in China (Cont.)

- No. 2 Foreign Retailer in China
  - Three distribution centers in Shenzhen, Tianjin, and Jiaxing. (By 12/2008)
  - 189 units in 101 cities in China (By August, 2010)
Foreign Retail Entry in China

Expansion of Wal-mart in China (Cont.)

- Video: The 100th Wal-Mart store in China
  - [http://www.youtube.com/watch?v=x65efvLryqY](http://www.youtube.com/watch?v=x65efvLryqY)

- Video: 300 Wal-Mart stores in China
  - [http://www.youtube.com/watch?v=gGtQDL6Olil](http://www.youtube.com/watch?v=gGtQDL6Olil)
Divestment

- It is not necessarily true that all international companies succeed or would like to stay in China.

- Divestment is defined as “Company actions resulting in a reduced presence in a foreign market” (Alexander, Quinn, and Cairns, 2005)
Retail Divestment in China

Divestment (Cont.)

- Some Retailers That Have Exited China (Li and Wang, 2006)
  - Yaohan (Japanese Supermarket), 1999
  - Xiyou (Japanese Supermarket), 1999
  - Ahold (Netherland Hypermarket), 1999
  - PCD (Hong Kong Department Store), 2000
  - Jusco (Japanese Department Store), 2000
  - Daiei (Japanese Supermarket), 2004
  - Mykal (Japanese Department), 2003
  - OBI (German Home Improvement Store), 2005
## Retail Divestment in China

### Store Closures in 2008-2009 (Wang, 2009)

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Store</th>
<th>Format</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isetan</td>
<td>Huating store in Shanghai</td>
<td>Department store</td>
<td>Net loss for two years</td>
</tr>
<tr>
<td>Parkson</td>
<td>Changsha store</td>
<td>Department store</td>
<td>Lease expired</td>
</tr>
<tr>
<td>Tesco</td>
<td>Jilin Store</td>
<td>Hypermarket</td>
<td>High operation cost</td>
</tr>
<tr>
<td>Trust-mart</td>
<td>Nanjing Qingliangmen store and Gulou store; Chengdu Daye store, Wuhan Minyi store, and Fuzhou stores</td>
<td>Supermarket</td>
<td>Bad performance</td>
</tr>
<tr>
<td>B &amp; Q</td>
<td>Shekou store in Shenzhen; Fuzhou store</td>
<td>Specialty store</td>
<td>Bad performance</td>
</tr>
<tr>
<td>HomeDepot</td>
<td>Qingdao store</td>
<td>Specialty store</td>
<td>Broke up with the landlord</td>
</tr>
</tbody>
</table>
Case Study

Case Study

- Best Buy in China

Video On the Opening of Best Buy Shanghai Store
  - http://www.youtube.com/watch?v=zMABUmIOQdE
References