

Internationalization of retailing – embeddedness and business models

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Abstract

Internationalisation is a core element of business strategy for many retailers. Retailers from a variety of retail sectors, governance forms and scales of operation are involved. In all business sectors the implementation of an internationalisation strategy brings with it challenges. For retailers, issues arise not just around the physical location of operations but also the network and relationship aspects that are particularly pertinent in a business sector which operates at the interface of production and consumption.

Over the past four decades most academic studies of retail internationalisation (see for example, Hollander, 1970; Goldman, 1981; Treadgold, 1991; Burt, 1991; Dawson, 1993, 2007; Alexander 1990, 1997; Hellferich et al 1997; Gielens and Dekimpe, 2001; Rugman and Girod, 2003; Burt et al, 2008) have viewed implementation from the macro market perspective. The need to adapt or respond to the operating environment is often the starting point for analysis, with the focus typically, on which elements of the retail operation can be standardised or replicated in a new market and which need to be adapted to market conditions. From this perspective studies of *what* needs to be adapted have evolved into *why* adaptations might be considered. Initially the incoming retailer and the host environment were taken as generic entities. This approach has now given way to more nuanced considerations of *what* and *why*, and also a recognition that rather than simply being passive responders to the host environment, retailers may themselves be agents of change in that market, using their business model to adapt the market to the strategic and operational advantage of the retailer.

The aim of this paper/presentation is to build on these emerging themes by considering the retail business model, its components, dynamics and outputs, and those aspects of the host environment which may determine (or be determined by) the behaviours and activities of retail organisations. In doing so we draw on the concept of embeddedness, which has many different interpretations, across a range of disciplines. This has generated a copious literature. Dacin et al. (1999) and Heidenreich (2012a,b) provide valuable reviews. Rather than add to these reviews of the generic position, we explore the idea in the context of retail activity and specifically international retailing.

The aim is to explicate how the concept of embeddedness can help towards a better understanding of the process of retailer internationalisation and particularly, via consideration

of the components of the retail business model, in exploring the issues of standardisation and adaption within a retail operation as it expands internationally. By focusing on the internationalisation of IKEA, we seek to build on and expand the view of Hess (2004) that embeddedness as 'a concept has to be spatial-temporal, incorporating the formation and change of social structures in time and space.' (p181)

The paper/presentation builds on primary and secondary data.

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