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A tactical retreat? Conceptualising the dynamics of European grocery retail divestment from East Asia.

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Abstract

The internationalisation of the firm is a highly dynamic process, in which periods of investment and expansion intermingle with periods of divestment and retrenchment. Academic research to date has focused on identifying the reasons for and the processes of divestment. Empirical studies either evidence generic pressures or provide case studies of specific incidents. There few longitudinal studies of international divestment, consequently the dynamic interactions between host market, home market and firm level factors, and how the institutional context changes over time is underplayed. This paper seeks to rectify this gap in our understanding.

We explore the rationale and evolving dynamics of European grocery retail divestment in East Asia over a thirty year period. Taking an inductive approach and drawing on analysis of contemporary narratives drawn from company documentation, trade journals, newsfeeds and market reports, three phases can be identified characterised by specific factors and combinations of factors which intersect to provide the key pressures and stimuli for divestment. We conclude that at different time periods, different internal and external contextual influences manifest themselves through different priorities within the firm's strategy - marked by a switch from local (host) market, to regional, to global firm-centric considerations. Longitudinal analyses allow a greater recognition of this dynamic interplay of factors, and the changes in these relationships, and provides a more nuanced understanding of the international divestment process.

Keywords

Divestment, grocery retailing, East Asia, market adjustment, market resistance, corporate reconfiguration

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Introduction

In the academic literature on retailing, internationalisation is commonly portrayed as an attractive strategic option for the firm. As the globalisation of the retail industry continues apace, the focus of research has been on identifying the critical success factors and key competencies that allow retailers to successfully embed themselves in local markets. However, at the level of the individual firm, retail internationalisation is in a constant state of flux, with divestment and re-adjustment of international portfolios a common feature.

In our efforts to theorise the retail internationalisation process, the emphasis has been on market entry and expansion, rather than on withdrawal and divestment. Within the existing literature we have tended to simply identify and categorise the generic pressures that lead to divestment, rather than explore the changing interactions between these factors and the firm. The need for a broader conceptualisation of the divestment process, and one which recognises the changing dynamics between the different factors driving exit decisions over time, presents a gap in our current understanding.

In this paper, we aim to address this gap in our knowledge. We do this by examining the patterns of investment and divestment by European grocery retailers in East Asia over the past thirty years. During this period, thirteen of Europe's leading grocery retailers entered eleven different countries in the region. Once viewed as highly attractive retail markets with great potential for future growth, recent high-profile

withdrawals raise questions about this strategy and future investment. We focus on market withdrawals and the underlying rationale(s) provided for these actions at the time. Assessment of these patterns and pressures allows us to identify how the evolving intersection of home and host market dynamics influence the decision making of retail firms.

The paper is organised as follows. First, we provide a brief review of the literature on international retail divestment to identify the gaps in our current understanding that we seek to address. We then explain the approach and sources used in our investigation. Patterns of entry, in-country investment and market withdrawal are explored to set the context for the main contribution of the paper, which considers retrenchment and divestment activities over the study period and their relationship with the wider operational environment in more detail.

Literature Review

Benito and Welch (1997: 9) define international divestment as "*voluntary or forced actions that reduce a company's engagement in or exposure to cross-border activities*". Benito (2005: 247) further concludes that: "*Divestments are an integral part of business. They can be seen as the results of ever-evolving processes of change that keep companies and whole economies rejuvenated and in shape*". Retailing is no different from any other economic sector in this respect. Several frameworks for explaining international retail divestment have emerged in the literature. Drawing on perspectives originally devised for manufacturing (for example Tornedon, 1975; Boddewyn, 1983, 1985; Benito, 1997, 2005), these have then been adapted to the specificities of the retail sector.

International divestment research has sought to establish the reasons for failure (why) and the process of divestment (how). Boddewyn (1983, 1985) distinguished between the conditions, motives and the precipitating circumstances which provide the trigger(s) for divestment. Common contributing factors included the stability and predictability of the host environment, operational performance (both internationally and domestically), the strategic fit of the foreign operation, senior management changes, and governance issues. The relative emphasis placed on these criteria is in part determined by the choice of an underlying conceptual perspective (Benito & Welch, 1997). The economic perspective views divestment as a reaction to changing economic conditions which impact on financial performance, the strategic management perspective regards divestment as a part of a fluid portfolio of activities responding to life cycle considerations, and the internationalisation management perspective highlights the barriers to withdrawal arising from inertia generated by the firm's level of international commitment and length of time in the market. These different perspectives provide an underlying conceptual position with respect to divestment, but are assumed to be static and there is no consideration of if these positions evolve and change over time.

This emphasis on establishing motives and mechanisms also underpins work in the retail sector. Burt et al. (2003) categorised international divestment in retailing as failure, defined as the unplanned underperformance of a firm, arising from four interlinked sources. First, *market failure* occurs when the market does not 'behave' as expected and consequently projections of market growth and profitability are not met. Changes in economic, political, regulatory and social conditions create a level of market instability impairing performance. Second, *competitive failure* arises when operational performance does not match that of local competitors or competitors react

and compete more effectively than anticipated. Third, *operational failure* relates to the transferability of the domestic business model and ways of operating, and occurs when domestic skills, concepts and managerial approaches integral to the business model do not fit well in the host market environment or are resisted by key stakeholders. Finally, *business failure* can be diagnosed when decisions impacting upon the international business are made because of changing circumstances (performance, stakeholder expectations etc.) within the wider organisation. These circumstances may arise in the domestic business and\or in other international operations.

While the subsequent closure of stores or country exit is commonly regarded as 'failure', divestment may also be a positive strategic action. Alexander and Quinn (2002: 121) emphasised that divestment does not always reflect an inherent weakness on the part of the international retailer, and may occur for other strategic reasons: "*it is easier to divest international operations than it is for an international company to divest domestic operations when trading conditions are poor"*. Palmer (2004) framed divestment within a broader context of four pro-active modes of organisational restructuring: *financial* restructuring, relating to changes in governance structures and stakeholder expectations; *portfolio* restructuring, arising from merger and acquisition activity and alliances or joint ventures; *organisational* restructuring, reflecting changes in company structure, processes or management; and *spatial* restructuring, requiring changes in the geographical scope and scale of activity. Finally, Cairns et al. (2008, 2010) also distinguished between 'corporate crisis' divestment – characterised by a lack of stability or focus amongst leadership and problems away from the host market which stimulate a need to refocus on the domestic market – and 'positive restructuring' divestment characterised as an ongoing process of revitalisation and renewal through

organisational learning which may lead to new formats or approaches better suited to internationalisation.

Empirical research into international retail divestment has explored these themes. Although retail divestments were noted in some studies exploring the overall patterns of internationalisation activity (Hollander, 1970; Burt, 1993; Knee, 1993; Godley & Fletcher, 2001) it was not until the mid-2000s that divestment became a significant focus of empirical work. In the European grocery sector, for instance, Burt et al. (2004) examined divestment activity from 1970-2004, while Alexander et al. (2005) explored divestment in several sectors over the 1987-2003 period. These macro level studies found that: international retail divestment took several forms, although country exit dominated; different divestment and exit rates were found for different countries and regions; and most divestments were relatively small scale (less than 40 stores) and occurred within 10 years of entry. Sector level reviews have been supported by more interpretive case studies, typically focussing on specific divestment incidents, for example, Marks and Spencer (Burt et al., 2002; Jackson et al., 2005; Mellahi et al., 2002), Tesco (Palmer, 2004; Coe et al., 2017), Home Depot (Bianchi & Arnold, 2004), Sainsbury (El-Amir & Burt, 2007), Ahold (Wrigley & Currah, 2003; Palmer & Quinn, 2007), Wal-Mart (Christopherson, 2007; Kim, 2008; and Gandolfi & Strach, 2009), Aldi (Sikordili, 2013) and Target (Yoder et al., 2016).

The triggers for divestment and the processes of divestment in international retailing are therefore multi-faceted. Whilst a range of contributing factors and options are identified in existing frameworks, these are largely static representations. The focus on individual divestment incidents tends to highlight specific circumstances at a single point in time. We therefore contend that this leaves gaps in our understanding. First, the emphasis tends to be on a specific trigger or set of triggers and the response this

generates (i.e. divestment activity). The wider environmental setting and institutional context, including both domestic and host market factors, is often underplayed and the complexity of interactions and relationships between these factors and the firm is understated. Second, the limited number of longitudinal studies mean that the underlying dynamic nature of divestment over time is not well theorised. Over the period that a firm has been operating in a market, the contextual conditions evolve, for instance in terms of the economic setting, socio-political policy responses and the nature of local competition. These changing dynamics add complexity to the internationalisation process and determine priorities and strategic actions reflected in investment decisions and managerial commitment. Addressing these two gaps provides our theoretical contribution to the current understanding of the retail divestment process.

Approach and Methodology

A common theme throughout the June 2011 special issue of the Journal of International Business Studies was the importance of understanding the broader context to corporate decision making, thereby drawing on Sayer's (1992) contention that "*making sense of events requires that we 'contextualize' them in some way*". Welch et al (2011) pointed to the tensions between context and 'robust' scientific explanation, and make the case for *contextual explanation* - recognising that explanations require an understanding of the conditions under which they operate and emerge as they are placed within social time and social space. In the same issue, Burgelman (2011) also argued the case for longitudinal research to bridge the gap between descriptive historical narratives which focus on case studies of particular, experiential, social phenomenon and quantitative reductionist models which seek to

develop abstract models for testing. These perspectives underpin our research design and approach.

By examining divestment actions over a thirty year period within a single industrial sector we provide a longitudinal study of the contextual pressures for divestment and how these pressures persist, combine and diminish over time. This approach allows us to explore the gaps we have identified in the literature. The choice of a single sector (grocery retailing) and region (East Asia) provides "case" boundaries for the study, allowing a highly visible and numerically manageable set of actions to be observed and analysed. Primary research into divestment has its challenges as it carries an implicit stigma. Divestments are often wiped from corporate memory, rarely featuring in company literature, and management teams and those involved in the decision-making process "move on". Even if individuals can be contacted their recollections or rationales for past decisions can be retro-fitted to suit post-event re-evaluations, rather than provide accounts of decisions and contextual pressures at the time. Consequently, the interpretations presented in this paper are based upon contemporary narratives reported in secondary sources, primarily published company documents and press reports issued during the period under consideration. Data is also drawn from the retail trade press and retail-related newsfeed services over the period. Additionally, we draw on the wider academic literature on retailing and retail internationalisation in the East Asian region.

As most of the European retailers involved are publicly quoted the authors hold copies of Annual Reports for these companies throughout the whole study period. Relevant press releases and other company communications relating to strategy and operational decisions also exist to supplement this material. Commentary on the activities of these retailers in East Asian markets has also been collated from the

leading domestic market trade press including LSA and Points de Vente (France), Distribution d'Aujhourd'hui (Belgium), Lebensmittel Zeitung and Lebensmittel Praxis (Germany), the Grocer and Retail Week (UK), and regional publications such as European Supermarket News and Retail Asia. Over the period the authors also have held subscriptions to commercial retail news services such as those provided by Management Horizons, IGD, M+M\Planet Retail, Retail Newsletter (IADS) and Japan Consuming, amongst others, and have had access to a variety of country and company profiles from Corporate Intelligence, Retail Knowledgebank, Euromonitor, Mintel and similar providers. These secondary sources have spanned the period in question and provide contemporary narratives relating to actions espoused by the firm or commentators at the time. These items have been used to populate a database recording the activities of European grocery retailers in international markets.

From this material divestment activities in the region were identified along with the contemporary commentary on these actions. These are summarised in tables 1-3. The authors independently assessed this material and identified common themes and rationales within the narratives. These themes were then used to determine the key pressures and categorise the dominant divestment pressures alongside the focus and motives for divestment from the perspective of the individual firm. From this inductive process, three relatively distinct and coherent phases of divestment were derived (as presented in table 4) and are used to frame the presentation of the empirical analysis that follows.

Findings

The operational involvement of European grocery retailers in the major markets of East Asia presents a familiar fluid and discontinuous pattern of multiple market entries by several retailers across the region, an approach often labelled 'flag planting',

followed by a period of consolidation leading to a reduction in the number of operators per market.

European grocery retailers first entered the region in 1977 when a Japanese wholesaler joined the Spar voluntary group. The large chains arrived in 1989 when Makro opened its cash-and-carry format in Thailand and Taiwan, and Carrefour introduced the hypermarket to Taiwan. The peak of entry activity occurred in the late 1990s, when the first movers were joined by other cash-and-carry operators (Metro and Booker), hypermarket chains (Auchan, Promodès, Casino and Tesco), and the supermarkets of Ahold and Delhaize. Contemporary company and commentator narratives point to a combination of rapidly expanding populations and underdeveloped retail markets as providing the general motives for investment - a justification provided by Ahold, with reference to entering Malaysia, China, Singapore, Thailand and Indonesia between 1996 and 1997:

> *" Our existing Asian ventures and others on the way should help power our Group's growth over the next decade by enabling Ahold to benefit from the region's rapid economic growth and the emergence of a value and convenience orientated middle class of hundreds of millions" …*(Ahold Annual Report, 1996: 9)

and Casino when entering Taiwan:

> "*As a major Asian economic center with a population of 24 million with a high purchasing power, Taiwan offers strong guarantees of profitability coupled with manageable levels of risk"* (Casino Annual Report, 1997: 27)

The explosion of interest in the late 1990s was, however, primarily fuelled by the Asian economic crisis which coincided with a period when European retailers were cash rich (Wrigley, 2000). Asian partners needed to raise capital or reduce commitments and moved into joint venture deals with European partners, as illustrated by Ahold, Casino and Delhaize in Thailand (Tosonboon, 2003) and Tesco in South Korea (Suh & Howard, 2009). Entry plans were further accelerated as barriers to foreign investment

were removed, real estate costs fell, and local firms actively sought to raise cash by selling assets:

> *"Economic and currency turmoil in this region impacted our start-up activities but also presented us with unexpected acquisition opportunities, allowing us to accelerate our development timetable" (*Ahold Annual Report, 1997: 7)

After the turn of the century market entry was concentrated on "new" markets such as Japan and Vietnam, alongside the relatively late expansion of Tesco's portfolio of Asian markets (Wood et al., 2016).

Once in a market the pace of expansion depended on local conditions and the ability of the foreign retailer to secure sites and appropriate permissions. Most in-country expansion was organic and expansion of the store portfolio via acquisition was limited reflecting relatively few suitable acquisition targets particularly within large store formats. Casino's acquisition of Carrefour's 42 stores in Thailand during 2001 was the largest takeover by a European based grocery retailer in the region, followed by Tesco's acquisition of E-Land's 36 South Korean hypermarkets in 2008. The latter was seen as an important boost to store expansion:

> *"This acquisition of high quality assets is an important strategic move, which will allow us to accelerate our growth in this key market and deliver a much stronger offer for customers as we convert the stores to Homeplus"* (Tesco Press Release, 14/05/2008).

Elsewhere beyond a handful of takeovers involving 20-30 stores in the supermarket format, growth through in-country acquisition involved individual or small numbers of stores changing hands.

By the start of 2015 over 4,600 grocery stores including nearly 1,300 hypermarkets were operated by well-established European grocery retailers across the region. The prime foci in terms of store numbers were the large markets of China, South Korea and Thailand. The early reliance on large store formats such as the hypermarket and

cash-and-carry was eclipsed by the subsequent expansion of smaller scale formats, particularly the convenience store, from the mid-2000s. These formats were especially prevalent in Thailand and South Korea driven by the multi-format approach of Casino and Tesco whilst in China, DIA (initially introduced when part of Carrefour) established a chain of around 400 limited line discount stores.

There has, however, been considerable churn in the presence of European grocery retailers in East Asia with periods of retrenchment (Figure 1) including withdrawals from individual markets and the complete exit of Ahold, Booker, SHV\Makro and Casino from the region. By mid-2016 the 53 country entries (i.e. market entry by a different retailer) were mirrored by 38 country exits. Whilst thirteen exits (slightly skewed by three exits relating to the disappearance of Promodès as an independent operator following the merger with Carrefour in 1999) occurred within 5 years of entry, the mean for the length of time in a market before exit was 8.8 years (or 9.5 excluding the Promodès\Carrefour merger), with SHV\Makro trading in Thailand for 24 years before departing. This suggests that investments in East Asia are given sufficient time to prosper, and compares favourably with the 4-6 years before exit by European grocery retailers in all markets noted by Burt et al. (2004). The majority (20) of exits for which the outcome is known (34) involved the acquisition of the operation by a local or regional (i.e. East Asian) operator, and nine exits involved transfers between Western (including American) retailers, although three of these comprise the Carrefour-Promodès deal. In addition to country exit, strategic readjustments reflecting a reduced willingness or ability to commit financial and management resources to further expansion have seen some retailers, such as Tesco in China and Carrefour in Indonesia, retain a presence in the region but with lower levels of equity and

managerial commitment (Tesco Press Release, 09/09/2013, 02/10/2013; Carrefour Press Release 20/11/2012).

FIGURE 1 HERE

In general terms, the spread of markets, drivers for involvement and entry methods employed by European grocery retailers in East Asia over the past 30 years reflect the factors and patterns commonly observed in the general retail internationalisation literature. Also clearly evident is the importance of serendipity during the regional financial crisis of the late 1990s. Over time, however, there has been a rationalisation of market presence, often after a substantial period of trading in the market, and typically through disposal of operations to local or regional players. This overall macro perspective, however, disguises the degree of variety found within the divestment process over time from which three relatively distinct phases can be discerned. When these three phases are explored in more detail, the dynamism of international retail divestment activity becomes more evident. These three phases appear to exhibit different characteristics and decisions can be attributed to changing contextual pressures and challenges over time. Recognition of this fluidity and the dynamic interactions involved is currently absent from theorisations of divestment in the literature.

Phase 1: Pioneer Adjustment (1998-2001)

The first divestment phase (Table 1) comprises eight country exits by six different companies plus the merger of Promodès with Carrefour, which saw the Continent tradename disappear as the outlets in three markets were rebranded. Most divestments in this period can be characterised as an initial re-adjustment to market entry. As withdrawals in this period followed relatively soon after entry (a mean of 2.4

years in the market), most divestments were of small scale operations in terms of store numbers except for Ahold’s supermarket networks in China and Singapore which involved 40 and 14 stores respectively. Withdrawal also occurred whilst these companies were actively pursuing entry into other markets in the region, supporting an interpretation that this represented early stage adjustments to operating in distant and diverse markets:

> “*The Asian market is huge, diverse and far away. Setting up operations there is a long and challenging process*” (Carrefour Annual Report, 1994: 18)

TABLE 1 HERE

This period, which we categorise as a “pioneer adjustment” phase, captures the initial reaction to emerging internationalisation strategies in the region. The opportunism and serendipity characterising many market entries during the regional economic crisis meant that new entrants were often faced with unexpected and under-researched consumer, competitive and legislative norms. These pressures disrupted preferred business models and posed unanticipated challenges which increased costs. With opportunities emerging elsewhere in the region, and companies keen to exploit first mover advantages, the decision to depart rather than invest resources in attempting to grow scale and compete was often the preferred option.

Attempts to grow scale quickly were often frustrated by limited acquisition opportunities, placing a focus on organic expansion. As Carrefour noted:

> *“rapid expansion in this part of the world depends on the availability of suitable locations, as current regulation and astronomical real estate prices hinder the full-scale development of our retailing formula”* (Carrefour Annual Report, 1990: 13)

Difficulties in accessing sites for large stores provided an unwelcome break on expansion, and encouraged opportunistic behaviours as chains sought to build store networks and secure dominant market positions. China provides a well-documented example of 'game playing' reactions as the market opened to foreign investment (Wang, 2009; 2014; Fels, 2009; Tacconelli & Wrigley, 2009; Chuang et al., 2011; and Zhang & Wei, 2015). For foreign retailers the expansion process was at times seen as being painfully slow:

> "*from the beginning the Chinese government has been cautious, moving along with a deliberate sequence: from single-store operations to retail chains, and from joint ventures to whole foreign ownership*" (Wang, 2003: 118).

Although European grocery retailers adapted their expansion strategies to circumvent regulatory constraints, frustrations with the legal environment and the ability to compete fairly were often expressed on exit. Planning legislation restricting the pace of expansion was cited when Auchan sold its single store in Thailand and Carrefour its four stores in Hong Kong. Carrefour complained about the difficulty of finding suitable sites as urban development laws were "*very restrictive for retail*" (South China Morning Post: 30/08/2000). Local commentators also alleged that leading incumbent retailers such as ParknShop (Hutchinson Whampoa) and Wellcome (Jardine Matheson) exerted their influence with local stakeholders to block access to sites and discouraged suppliers from dealing with Carrefour. An enquiry by the Hong Kong Consumer Council found that seven of the twenty-two suppliers investigated admitted enforcing a minimum resale price on Carrefour (Zhen, 2007). These actions raised the costs of operating in Hong Kong: "*where our expansion was limited and would not provide the desired profitability*" (Carrefour AR, 2000: 15). Similarly, Ahold felt that

during the late 1990s the Chinese government was acting as both regulator and competitor, thereby distorting competition (Palmer & Quinn, 2007).

Early entrants also faced operational challenges from differences in how supply chains worked and in other norms of market behaviour. A common issue on entry was the local channel infrastructure which raised several challenges for the established cost structures of the European grocery chains' operating models. In most East Asian countries, the supply chain, particularly for fresh produce, operated through several layers of wholesalers and agencies. Additionally, infrastructure shortcomings meant that cool chains were underdeveloped or non-existent so stock levels had to be increased to allow for inefficient distribution systems. Investment was therefore required to guarantee supply, to improve production efficiency and ensure the quality and consistency of local fresh produce. Soon after entry into China and Thailand, for instance, Ahold had to open fresh food processing centres in Shanghai and Bangkok and throughout the region European grocery retailers invested heavily in distribution centres and hubs (Ahold Annual Report, 1997; 1998: Delhaize Annual Report, 1998). These investments required sunk costs in infrastructure that had not been anticipated at entry.

The perceived competitive advantage of the incoming retailers revolved around their ability to introduce modern retail techniques. The European grocery offer, irrespective of format, focused on competitive prices combined with 'western' quality, hygiene and service levels,but in virtually all cases we find examples of adaptations involving the widening of fresh produce ranges and attempts to replicate or compete with the atmosphere of wet markets, as illustrated by Tesco:

> *"we have brought to these businesses (Thailand) our high service standards and specialist skills in retailing"* (Tesco Annual Report, 1999: 14),

and Delhaize:

> "*The Asian companies of the group developed an "Every Day Low Prices" policy, offering their customers fresh produce at the same prices as the traditional open-air wet markets"* (Delhaize Annual Report 2001:9).

Additionally, strong regional differences in food cultures required a localised response, especially in the larger markets, as Carrefour noted in China:

> *"The broad presence requires enormous commercial adaptation: the distance between Peking and Shanghai is the same as between Copenhagen and Malaga, and consumer habits are just as diverse!"* (Carrefour Annual Report, 2000: 21).

Most European based grocery retailers in East Asia initially traded through their core domestic formats, which were new and innovative in the region on entry. The French retailers Carrefour, Auchan and Casino entered with the hypermarket format, SHV\Makro and Metro via the cash and carry, and Ahold, Delhaize and Spar developed supermarkets. Adaptations soon followed as operators sought to adjust their concepts to highly congested and densely populated urban settings. For example, on entry into Taiwan, Carrefour had commented on how their store had been "*specially developed to suit the high density urban conditions of that market"* (Carrefour Annual Report,1988:1). Asian purchase food daily owing to perceptions of freshness and in smaller volumes due to limited domestic storage capacity. This conflicted directly with the low price-bulk buy premise of the hypermarket format. Higher population densities, the cost of real estate and the use of motorcycles rather than cars encouraged changes to the physical configuration of the European Asian hypermarket. Auchan, Carrefour, Casino, Metro and Tesco all launched smaller-sized "compact" or multi-level versions of the hypermarket in downtown locations as they sought to embed themselves in the local market. Most hypermarket chains,

particularly those operating in China, later added shopping malls renting space to local and foreign non-food retailers.

Whilst to some extent the hypermarket adapted, the cash-and-carry and supermarket formats struggled for acceptance. Fierce competition from well-established wholesale networks supporting the fragmented small shop sector and the limitations on bulk purchases by private customers due to transport and storage constraints, hindered expansion. In the case of the supermarket, the Ahold strategy was based on the premise of turning around existing stores through European management practices but the stores acquired in China were in poor locations, too small and could not compete with hypermarkets on price or range.

Finally, during this initial divestment phase the regional economic crisis proved to be a double-edged sword; whilst generating expansion opportunities it also raised trading challenges. Recessionary pressures depressed sales to varying degrees focusing attention on prices, cost control and efficiency to maintain performance. In this economic climate, profitability was often sacrificed to maintain and grow sales. These pressures coincided with the initial post-entry phase when European retailers were seeking to invest to expand store numbers and floorspace to achieve scale. A year before their departure from China and Singapore Ahold had signalled caution:

> *".. we expect markets to emerge from the crisis in due course and again generate economic growth. However, until we see this happening, we will tread cautiously by controlling costs and strengthening current positions"* (Ahold Annual Report, 1998: 6).

which then became reality:

> *"we have restructured our regional operations and divested our loss-making operations in China and Singapore …. they generated insufficient economies of scale, would have needed considerable new investment over a longer period of time and, even then, had no real prospect of becoming profitable"* (Ahold Annual Report, 2000: 12, 31).

Phase 2: Resistance and Market Consolidation (2003-2008)

A second divestment phase during the mid-2000's comprised fifteen exits involving seven companies (Table 2). Most of these divestments involved established businesses, as the mean length of time in the market was 8.3 years, with most operating in the region for at least five years, and six having been in the market for over a decade. Compared to the previous period and reflecting the greater degree of longevity in the market, these divestments were typically of more substantive businesses in terms of store numbers. When these market exits are considered in a wider regional context these actions may be seen as part of a broader strategy led market consolidation process as retailers departed from some markets but remained in others:

> "*Several major international players have exited what have been for them non-performing businesses. Swapping of assets has been a feature from time to time in this process. Makro is also focused on building stronger positions in selected markets as opposed to seeking a presence in an extended number of countries*" (SHV\Makro Annual Report, 2007: 20).

TABLE 2 HERE

Rationalisation of market portfolios saw, for example, Tesco exchange its six Taiwanese stores for the Carrefour stores in the Czech and Slovak Republics (although the latter was blocked by the Slovak authorities), and Delhaize and SHV\Makro retrench to a single Asian market, whilst Casino focused on its Big C operation in Thailand and Vietnam. Ahold left the region completely, departing from Indonesia, Malaysia and Thailand when it became mired in a group financial scandal which surfaced in early 2003. Part of the recovery plan led by former IKEA CEO Anders Moberg required the disposal of "*non-core*" assets in East Asia and Latin America (Ahold Annual Report, 2002)

A characteristic of this period was the emergence (or re-emergence) of strong indigenous and regional operators recovering from the regional recession. For instance, the Hong Kong based Dairy Farm International acquired the supermarkets of Ahold and Delhaize in Indonesia, Malaysia and Singapore via its local market subsidiaries and the Lotte Group (South Korea) purchased SHV\Makro's Chinese and Indonesian stores to convert them to hypermarkets and boost their own regional international ambitions. A spokesman for Lotte stated at the time that:

> "*The discount store market in Korea is going to be saturated in the near future. This acquisition signals the company's participation in the rapidly developing retail sector in Asia*" (Korean Joongang Daily, 8/10/2008).

In-country consolidation led by indigenous retailers saw the Central Group absorb the Ahold and Delhaize supermarkets in Thailand, Far-Eastern buy out Casino's 50 percent share in their 14 Taiwanese hypermarkets, SHV\Makro's Indonesian partner SM Investments acquire their 15 cash-and-carry outlets, and E-Land purchase Carrefour's 31 hypermarkets in South Korea for €1.5billion. This expansion by regional operators was often a proactive move, as seen in the purchase of Delhaize's ShopnSave chain in Singapore by local competitor Cold Storage (part of Dairy Farm International):

> "*We have been pleased with our partnership in Singapore and with the progress of our banner there. The attractive purchase proposal from Dairy Farm allows Delhaize Group to generate additional cash and to refocus on our original Asian ventures in Thailand and Indonesia*" (Delhaize Press Release, 14/11/2003).

The emergence of strong domestic and regional players reflected a growing resistance to the European grocery retailers and their ways of operating. This was also evident in the re-regulation of the retail sector, primarily targeted at Western retailers and intended to protect local operators, and in resistance from within the supply chain to

'foreign' operational practices and from other stakeholders and opinion formers (Coe & Bok, 2014).

Regulatory conditions are a major consideration in retail internationalisation, and can be an important form of protection for prevailing retailing systems and structures. There is a significant body of academic literature by regional authors concerning the changing focus of public policy towards foreign retailers across East Asia and providing examples of regulatory change. Until the mid-1990s, with the exceptions of Hong Kong and Singapore, most retail markets in East Asia were either directly or indirectly protected from foreign entrants through regulations which controlled the nature and extent of foreign direct investment, imports and capital flows, and in some cases the opening of large stores and other operational practices (Davies, 1993). Formal barriers to foreign ownership in retailing were largely removed during the latter part of the 1990s as countries sought WTO membership. These moves, alongside the Asian economic crisis, stimulated market entry but disguised deeper rooted institutional challenges. As in Western markets, following vocal lobbying by local stakeholders, the regulatory focus soon switched towards attempts to mitigate the impact of large stores and 'foreign competition' on local retailers and suppliers, through land use legislation and competition laws. The long-term challenge for national governments was summed up by Mutebi (2007: 366):

> "*Essentially policy makers have to balance the conflicting goals of seeking to promote trade competitiveness with defending the interests of local firms, interest-groups and consumers in the various urban environments.*"

In Malaysia, zoning laws were applied to large store development in 2002, limiting them to larger urban areas and prohibiting store openings within 3.5km of housing areas or city centres. Applications for new large format stores had to give two years

notice, provide a local impact study, and were to be freestanding developments providing business opportunities for 'interested traders' at (unspecified) 'reasonable rates' (Mutebi, 2007). From January 2004 new foreign owned and large stores were forbidden for five years in the Klang Valley, Johor Bahru and Penang. In Thailand, town planning zones were enforced from 2003 and extended to the remaining provinces from Bangkok. Aimed at hypermarkets, these regulations affected both domestic and foreign retailers. More overtly, in 2006, the 'Confederation of Thais Opposing Foreign Retailers' was founded and, in a highly volatile political environment, the Commerce Ministry requested a moratorium on all store openings whilst new legislation was drafted. The subsequent legislation created the national Retail and Wholesale Supervision Committee which gave local governments the authority to approve new stores in order for local concerns to be heard.

The European cash-and-carry operators in China had initially found expansion constrained by the slower liberalisation of wholesaling compared to retailing. Despite announcing plans for *"speedy expansion*" after entering in 1996, Metro took over three years to gain a national wholesale licence *"after protracted negotiations"* (Metro AG Annual Report, 1996; 1999). A company interviewee quoted in Siebers (2011) complained that expansion was also held back by German diligence and a culture of compliance as they followed the rules "*unlike the French*" – a direct reference to the opportunistic tactics of Carrefour and Auchan. Similarly, although SHV\Makro opened in Guangzhou (Guangdong province) in 1996 and Beijing in 1997 they only obtained a national licence in 2002. The Guangdong stores were sold the following year before departing China entirely in 2007, with only four outlets to show after eleven years of operation (SHV\Makro Annual Report, 2007: 21).

Resistance to the operating practices of the European grocery retailers was also evident in supply chain behaviours, often encouraged by the leading indigenous retailers. Elements of the 'lean distribution' processes underpinning the Western grocery model were difficult to replicate in most East Asian markets. Carrefour faced numerous challenges, often leading to high profile disputes with suppliers, as it attempted to introduce new ways of working. Problems arose as it attempted to replicate some of its fundamental operating principles in the Japanese market – not least maintaining control over its own merchandising and pricing (Larke, 2004). Dealing directly with suppliers was not feasible in Japan, where procurement, logistics and inventory were managed through a series of intermediaries who performed more retail support services such as in-store display and inventory management than was the norm in Europe. Some major Japanese food manufacturers refused to deal with Carrefour, so many leading brands were unavailable when the first store opened (Baek, 2004), and the CEO of the largest liquor wholesaler was publicly quoted as saying he would only deal with Carrefour if the Japanese retailers AEON and Ito-Yokado did not object (Larke & Causton, 2005).

The decentralisation of buying in the Carrefour business model also encouraged a range of 'informal' payments in China and Taiwan. Several staff in Beijing were arrested during 2007 for accepting bribes from suppliers and in both countries the buying process was subsequently centralised to counter these practices. Tensions arose around fees and rebate structures in China as charges for shelf slots, display and promotional activity, store cleaning and bank charges and 60-day payment terms were introduced allowing Carrefour to utilise supplier capital (Xu et al., 2014). It was suggested by Wang (2009) that these fees replaced efficiency as a source of profit. In Taiwan, some supplier fees were imposed rather than negotiated, became on-going

rather than one off charges, and covered a wider range of services and activities than was the norm (Hitoshi, 2003). These practices placed severe pressures on supplier margins, consequently several major food manufacturers refused to supply Carrefour.

Phase 3: Reconfiguring the Global Firm (2012-2016)

The third phase of divestment from 2012-2016 entails ten departures by five companies and represents withdrawal from long-established mature businesses (Table 3). These operations had been active in East Asian markets for an average of 15.2 years and many of them had evolved into multi-format organisations. The scale of some of these operations is reflected in the value of the divestment transactions. Tesco's departure from South Korea raised a headline price of £4.2 billion, Casino received €3.1billion for its Thai operation and €920m for its Vietnamese stores, whilst Carrefour raised €525m when its Indonesian subsidiary became a franchise. As in the previous phase – except for Carrefour's two Singaporean stores which were closed – the purchasers were major local or regional market leaders. The value extracted from some of these divestments reflects growing competition between these regional companies for the store networks.

TABLE 3 HERE

The outcome of this phase is further market consolidation and country portfolio rationalisation amongst the remaining European grocery retailers, with SHV\Makro and Casino departing from the region entirely. Delhaize now trades in a single market (Indonesia) with Auchan, Carrefour, Metro and Tesco each present in two markets although Carrefour also trades in Indonesia via franchising, and Tesco is represented in China through a minority stake in CRE (China Resources Enterprises). In terms of country representation, China understandably retains the most European grocery

retailers (Auchan, Carrefour and Metro – plus Tesco's CRE investment), whilst Auchan and Carrefour remain in competition in Taiwan, and Delhaize and the Carrefour franchise in Indonesia. In Malaysia and Thailand Tesco is now the sole European grocery retailer.

The pressures for market consolidation – arising from re-regulation, the re-emergence of national operators and market resistance – observed in the mid-2000s remained during this phase, but with a change in emphasis. Whilst the initial re-regulatory focus was on the control of large stores, attention during this phase switched to smaller formats as foreign retailers developed multi-format strategies and continued to grow market share. For example, in South Korea moves to protect traditional markets from 'conglomerate owned chains' led to amendments to the Distribution Industry Development law in 2010 and 2011, prohibiting the development of modern retail formats within 500m (later raised to 1km) of newly established Conventional Commerce Preservation Districts (CCPDs) (Cho et al., 2014; 2016). Although ways were found to exploit loopholes in the legislation, for example to circumvent the ownership definition Tesco-Homeplus established two 49% owned subsidiaries (CVS Homeplus and the 365 Plus franchise chain) Kim and Hallsworth (2015) argue that their actions, alongside extensive lobbying when the zoning legislation was first introduced, were counter-productive as these moves were badly received by civic society in South Korea.

Increased re-regulation undoubtedly impeded performance by changing operating costs in what is essentially a high volume, low margin retail sector. The CCPD zoning law in South Korea was followed in 2012 by restrictions on Sunday trading by 'conglomerate owned chains' requiring them to close on the 2nd and 4th Sunday of the month (Kim & Hallsworth, 2013; 2015). As part of the narrative associated with its

departure from South Korea, Tesco complained that the introduction of these trading restrictions had a £100m impact on annual profits.

Changes in senior management – often (although not exclusively) triggered by investor concerns over performance and financial returns – can have a direct bearing on divestment processes. The arrival of a new CEO or senior management team is typically followed by a strategic review of the business. New senior teams are unencumbered by loyalty to decisions made by the previous management, so a refocusing of activities or territories is common. The incidence of divestment activity appears more evident when external appointments are made for example Lars Olofsson and George Plassat at Carrefour and David Lewis at Tesco relative to their immediate predecessors (José Luis Duran and Philip Clarke), who were internal appointments and therefore might be more emotionally attached to the status quo. There is considerable evidence in the third divestment phase of decisions in East Asia being in part driven by corporate events in home markets and linked to the arrival of new senior management teams.

Having previously withdrawn from Thailand by selling its stores to Big C (Casino) for €868m, Carrefour further retrenched following the arrival of George Plassat as CEO with a remit to improve group performance. International operations were refocused during 2012 onto regions where the company held strong positions (Carrefour Annual Report, 2012). In East Asia, it closed its two stores in Singapore, withdrew from Malaysia, selling the 26 hypermarkets to AEON of Japan for €250m, and closed a deal to sell the remaining 60% share in the Indonesian operation to CT Corp for €525m and to switch to a franchise arrangement.

> "*The transaction [departure from Singapore] is part of Carrefour's strategy of refocusing on its core activities and allocating its resources to mature countries where it occupies strong and established positions and emerging*

markets where it has strong growth potential" (Carrefour Press Release, 31/10/2012).

Tesco's departure from its Japanese operation and the reconfiguration of its Chinese business also reflected broader financial pressures within the group (Wood et al., 2017). Overall sales performance, not least in the UK, placed the new CEO Philip Clarke under severe pressure:

> *"We have reviewed our portfolio in Asia and the performance of our business in Japan. Having made considerable efforts in Japan, we have concluded that we cannot build a sufficiently scalable business. We have decided to sell our operations there and focus on our larger businesses in the region, in line with our priority of driving growth and improving returns"* (Tesco Press Release, 31/09/2011).

In Japan, a joint venture was created with AEON for a nominal sum before a further £40m was injected into the new venture as Tesco withdrew from the business. In China operational control was relinquished in return for a 20% stake (with the option to rise to 25% at a later date) in a joint venture controlled by China Resources Enterprises (CRE). The 134 Hymall stores and a financial commitment of £345m made up Tesco's contribution to the new venture (Tesco Press Release 2/10/2013).

Financial expediency also underpinned Tesco's unexpected sale of its South Korean business. Tesco Homeplus, described in the 2011 Annual Report (p26) as "*a world class business*", was widely regarded as a success story having established a leading position in the market through close to a thousand owned and franchised stores generating £5.4bn in annual sales. A deterioration in group financial performance and an inability to arrest this decline saw the removal of Clarke and the appointment of former Unilever executive David Lewis in October 2014. A strategic review established the key corporate priorities as regaining competitiveness in the UK market, protecting and strengthening the balance sheet and rebuilding trust and transparency

in the business. The discovery of an £250m "hole" (triggering a Fraud Office investigation) delayed the 2015 accounts which contained a series of major write downs and impairment charges for property valuations, goodwill, stock and commercial income, plus restructuring charges, resulting in a £6.38bn loss. Many non-core assets were put up for sale and during this process unsolicited interest was shown in the South Korean business. Three major private equity led approaches were believed to have bid for Homeplus which was sold to a consortium led by MBK Partners (a North Asian firm). The divestment generated £3.35 billion in cash to be used to improve the Group balance sheet by redeeming bonds and other commitments due to mature in the next 18 months.

> "*The sale realises material value for our shareholders and allows us to make significant progress in our strategic priority of protecting and strengthening our balance sheet"* (Tesco Press Release, 7/9/2015).

A similar fate befell Casino's East Asian investments. During 2015-16, pressure grew on Casino following a series of negative pronouncements from brokers and recommendations downgrading the Casino stock. Casino's strategy and underlying financial strength was questioned, with accusations that financial presentation – particularly the accumulation of group debt at the holding company level – masked an underlying problem in the core business. These accusations were refuted, but an initial deleveraging plan to raise €2billion through external investment in real estate assets and the sale of non-core businesses, including the Vietnam operation, was put in place (Casino Press Release 15/12/2015; 21/12/2015). During these divestments, expressions of interest in the Big C business in Thailand were received and in February 2016 Casino divested its 58% stake to Thai conglomerate TTC Group for €3.1billion. Big C was the second largest grocery chain in Thailand (after Tesco-Lotus), having purchased Carrefour's Thai stores in 2010, and traded through 125

hypermarkets, 55 supermarkets, 391 convenience stores and 163 health & beauty\drugstores. This move was followed in April 2016 by the sale of the Vietnam operation to Thailand's Central Group and its Vietnamese partner Nguyen Kim, beating a counter bid from TTC and Lotte (South Korea). This sale raised a further €920m to alleviate Casino's debt problems.

Finally, underlying, although less pronounced, financial pressures also contributed to Metro's protracted sale of its 19 Vietnamese stores to TTC holdings:

> "*The primary reasons for this decision included a very attractive offer as well as good prospects under the new owner*" (Metro Annual Report, 2014: 6)

The Metro Group had experienced difficult trading conditions in Europe as austerity measures suppressed sales and the share price declined and fell out of the DAX (the stock market index for Germany's 30 largest companies) for the first time. Failed attempts to first merge the Kaufhof department stores with Karstadt, and then to sell Kaufhof, and a long running dispute with the founding shareholder of the Media Saturn electronics subsidiary which ended up in the courts, contributed to the replacement of Eckhard Cordes, the incumbent CEO, with the CFO Olaf Koch in 2011. A new strategy was revealed in 2012 (Metro Group Annual Report, 2012): the East European Real hypermarkets were sold to Auchan; and in the cash-and-carry division a number of small scale operations (Denmark, Egypt, Greece) were sold or closed and plans to enter Indonesia were cancelled. In Vietnam, an initial deal to sell to Beri Jucker Public Company (BJC) had been agreed in mid-2014, but was blocked at the BJC AGM the following year. The BJC majority shareholder, TTC then stepped in to complete the deal in January 2016.

Discussion and Conclusion

Three decades ago East Asia was the latest geographical focus for Europe's major grocery retailers. The search for emerging markets, characterised by limited local competition (in terms of 'modern' retailing) and the opportunity for first mover advantages, provided an irresistible pull for Europe's internationally expanding and cash-rich grocery chains. The removal of restrictions on FDI and the growth opportunities arising from the late 1990s regional economic crisis created attractions which outweighed the challenges of trading in such culturally distant and diverse markets. The competitive advantage pursued by European grocery retailers resided in the belief that existing business models and ways of operating could be transferred, and these business processes would then allow them to out-perform indigenous retailers. This initial optimism seems to have dissipated over the years as most of these retailers have now retrenched and divested from individual markets and even exited the region.

East Asia provides examples of most of the rationales for, and forms of, divestment discussed in the existing literature. These retail divestment frameworks and the associated empirical support are, however, generally static, focusing on a specific divestment incident or group of divestments relating to an identified trigger. In reality the retail internationalisation process is highly dynamic, punctuated by periods of retrenchment irrespective of experience, market spread, or length of time in and familiarity with a host market. Our aim in this paper was to examine this divestment process over a substantial period of time to shift the focus from individual divestment incidents and triggers to explore longer term trends and the dynamic interactions between contextualised pressures.

From our analysis of European grocery retail involvement in East Asia since the late 1980s, we contend that divestment is stimulated by and reflects different inter-related contextual considerations and pressures over time. The importance of contextualisation, institutionalisation and embeddedness has been recognised in internationalisation research on market entry and expansion, but these considerations are less evident in divestment research. Whilst some challenges are present throughout the period, the relative importance of specific pressures is heightened, the combination of pressures varies and the interactions between pressures is intensified at different times. Consideration of this dynamism has been largely absent from existing frameworks and represents our theoretical contribution to the divestment debate.

Within East Asia three broad phases can be identified from our analysis during which particular factors or combinations of factors appear to dominate. These differences illustrate the value of longitudinal studies in exploring the changing context of decision making in international business. The first 'pioneer adjustment' divestment phase, within a few years of market entry, was characterised by frustrations over an inability to take advantage of first mover advantages and rapidly grow scale in some markets. The expediency that encouraged market entry across several territories due to the regional economic crisis may have compromised due diligence. Unforeseen costs and complications in accessing sites and real estate, alongside deficiencies in prevailing channel infrastructures undermined the initial competitive advantages which the European grocery retailers expected to exploit. Institutional differences within East Asian markets both constrained the ability of European grocery retailers to expand rapidly and required additional investment: rapid expansion was compromised by real estate costs and existing regulatory processes; large store formats needed to be

physically reconfigured to ‘fit’ local urban environments and consumer behaviours; and investment was required to build “basic” channel infrastructure. Consequently, the potential to rapidly exploit first mover advantages in these markets was constrained as costs rose and economic conditions depressed sales growth whilst retailers were attempting to build store networks. Frustrations were commonly expressed in contemporary narratives over unexpected investment requirements, the pace of expansion and financial returns on investment. Decisions were therefore taken to withdraw from some markets while sunk costs (in stores and infrastructure) were relatively low.

During the second ‘resistance and market consolidation’ phase of divestment, which involved more established businesses usually several years old, both direct and institutionally embedded forms of resistance to European grocery retailers generated barriers to expansion. After a period of deregulation, primarily to allow FDI and attract inward investment – although often stimulated by the “bigger prize” of WTO membership – re-regulation (Nguyen et al., 2014) became a constant theme across East Asia. This typically involved restrictions upon large store operators and modern forms of retailing under the rhetoric of maintaining “fair” competition and protecting indigenous businesses. Suppliers also resisted aspects of Western supply chain processes and practices requiring changes to roles and responsibilities, terms and conditions, and payments within the chain. In this environment, opinion formers, such as the press, tended to present incoming retailers in a less favourable light, and such resistance was often encouraged by the leading incumbent local and regional retailers. The emergence of local domestic or regional competitors who appropriated key elements of the Western retailers’ approach, and harnessed these to their local knowledge, connections and relationships, was also a feature of this divestment phase

as many of these operators acquired the assets of the departing European grocery retailers. This resistance, whether overt or tacit, changed the nature of competition at the country level and refocused attention on the wider regional market. Typically, the outcome was a market “shake out” as consolidation took place and the stated rationale for exit during this period was often framed in terms of under-performance and the inability to expand with sufficient pace to build scale or market share alongside the increased investment needed to rectify this.

The third and ongoing phase of divestment – ‘reconfiguring the global firm’ – has been dominated by reactions to events outside the immediate East Asian region, and impacts upon long established and well embedded businesses. As the European retailers’ in-country operations have evolved and grown in the market through multi-format operations, re-regulation pressures have also encompassed smaller store formats and commercial practices. A more pressing driver, however, appears to be a firm level reassessment of global activities and territories. The impact of the global economic recession in Europe and the consequences for domestic performance drew attention to the core domestic market and the configuration and financial performance of the entire firm. Irrespective of performance or long-term potential, the place of East Asia within the firm is overridden when the domestic ‘core’ business comes under pressure. A swathe of new senior management and CEO appointments in the wake of the European crisis prompted strategic reviews and decision making became firm rather than territory-centric. The opportunity to generate cash from the sale of Asian businesses to expanding and increasingly aggressive regional groups provided an attractive option for many as the re-regulation and increased indigenous competition noted in phase two maintained pressure on sales, cost structures and profitability. Home market pressures also become important in understanding why, at the same

time as European grocery retailers are in retreat, a range of Japanese retailers in response to high levels of domestic competition and saturation are seeking to expand into East Asia, and Southeast Asia (Meyer-Ohle, 2014). A combination of financial pressures within the global firm, expectations of stakeholders and attractive often unsolicited approaches for existing assets has led to divestment.

Table 4 provides a summary of our analysis of the dominant divestment pressures and the outcomes of the divestment process in each of the identified phases. It illustrates the dynamism and variety within international divestment as different combinations of divestment pressures and outcome rationales emerge in these phases. In each phase, similar underlying pressures can be observed but the nature and importance of these pressures differ, reflecting market-specific configurations at different points in time. For example, regulatory pressures are evident in all three phases, initially impacting as European retailers interacted with existing regulatory systems and learnt to play (or circumvent) the system. Re-regulatory pressures are more significant in phase two with policy directed at large stores and modern forms of retailing, the domain of the European retailers, and these pressures evolved in phase three to target specific store types or locations and operational practices believed to disadvantage indigenous retail SMEs. Similarly supply chain related pressures arose initially from disruption to the expected effectiveness and efficiency gains anticipated by European retailers, arising from unanticipated complexity and additional infrastructure costs in phase one, and in phase two related more to overt resistance to practices imposed by the entrants leading to objections and complaints about terms and conditions and practices, and refusal to supply.

TABLE 4 HERE

Throughout the period under investigation a combination of domestic and local host market factors is evident. This manifests itself in the territorial focus of the firm's strategy and its strategic objectives. In phase one the focus is on the local (host) market, regional market considerations appear to play a more important role in the divestment process in phase two, and in phase three global considerations and a focus on the firm rather than territories come to the fore as domestic market pressures prevail even when local subsidiaries have become established and achieved market leading positions in the host market. Over the whole period the same firm can be involved in divestment activity, and therefore different combinations of pressures, in all three phases.

Our contribution in this paper has been to conceptualise the dynamic nature of divestment in retail internationalisation over time. This responds to Burgleman's (2011) call for more longitudinal studies in international business. Our approach is also in line with the views of Sayer (1992) concerning contextualised sense making. The environmental and institutionalised context within which divestment decisions are made within firms is shaped by a combination of host and home market factors which interact with organisational priorities and perceptions. Divestment is seen to relate to developing lines of resistance in host markets (Coe and Wrigley, 2017) encompassing the domains of competitors, consumers, supply networks and regulation and shifting home market conditions which impact upon the performance of the entire firm and the perceptions of both management and stakeholders. Whilst many of the commonly identified factors that trigger divestment incidents can be observed in the East Asian context, the significance of individual factors or combinations of factors changes over time. Similarly, although based on analysis of a single geographical region and single retail sector the value of longitudinal analysis of this nature is illustrated in this paper.

There is evidence of a threefold pattern of initial readjustment, market consolidation, and market maturity types of divestment over this period and a shift in territorial focus within firm decision making from the local to the regional and the global. The nature of divestment, the intersecting combination of drivers, and the outcomes of divestment are different in each of these periods. Such variety, variation and dynamism needs to be incorporated into future studies of international investment and divestment.

Figure 1: Entry and Exit Actions by European Grocery Retailers in East Asia, 1986-2016

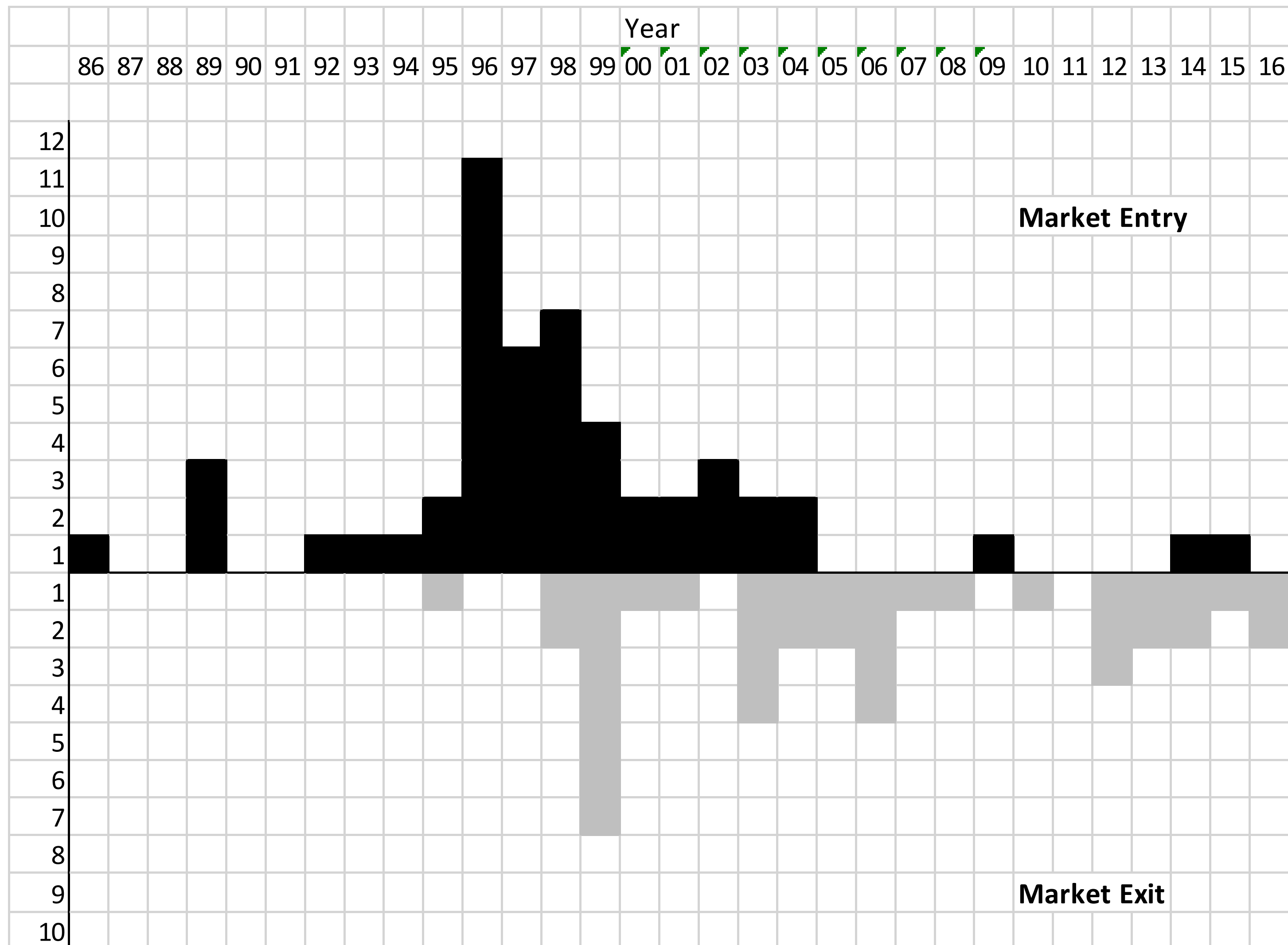

Table 1: Reasons for Country Exit, 1998-2001

Date of Exit	Company	Destination	Date of Entry	Time in Market	Number of Stores	Floorspace (sqm)	Sales in Market	Value of Sale	% of operation	Narrative for Exit	Sold to
1998	SHV\Makro	KOR	1996	2	4C&C				49	Minority interest operation	Wal-Mart (USA)
1998	Promodès	TWN	1995	3	1hm	8,100	€62.9m		30	Difference of opinion with partner over strategic direction	Far Eastern (TWN)
1999	Ahold	CHN	1996	3	40sm	28,600	€43.5m		50	Loss making, limited scale, no prospects of becoming profitable without investment	Zhonghui NSFC (CHN)
1999	Ahold	SGP	1996	3	14sm	9,847	€72.6m		60	Loss making, limited scale, no prospects of becoming profitable without investment	DFI (HK)
1999	Booker	THA	1998	1	n/a				minority	Group financial crisis close to breaching banking covenants – focus on UK – sell all OS interests	Not Known
1999	Booker	MYS	1996	3	2C&C			£1.7m	40	Group financial crisis close to breaching banking covenants – focus on UK – sell all OS interests	partner
1999	*Promodès*	*CHN*	*1999*	*<1*	*1hm*	*6,300*			*100*	*Promodès merger with Carrefour - opening delayed to brand as Carrefour*	*Carrefour (FRA)*
1999	*Promodès*	*KOR*	*1999*	*<1*	*1hm*				*100*	*Promodès merger with Carrefour sees stores absorbed and Continent tradename disappears*	*Carrefour (FRA)*
1999	*Promodès*	*IDN*	*1998*	*1*	*3hm*		*€25m*		*80*	*Promodès merger with Carrefour sees stores absorbed and Continent tradename disappears*	*Carrefour (FRA)*
2000	Carrefour	HKG	1996	4	4hm			€65.6m	100	Constraints on expansion - lack of sites and development laws	Closed
2001	Auchan	THA	1997	4	1hm	11,000		€7.3m	100	Local legislation - single store – cited changes to store opening legislation	Casino (FRA)

Store types: hm = hypermarket; C&C = cash-and-carry, sm = supermarket, cs = convenience store; h&b = health & beauty

Table 2: Reasons for Country Exit, 2003-2008

Date of Exit	Company	Destination	Date of Entry	Time in Market	Number of Stores	Floorspace (sqm)	Sales in Market	Value of Sale	% of operation	Narrative for Exit	Sold to
2003	Ahold	IDN	1997	6	22sm	2,323	€37m	€11m	100	Group financial crisis – Review – refocus on US and Europe, divest from non-core activities and Asia	Hero (IND)/DFI (HK)
2003	Ahold	MYS	1996	7	33sm	4,366	€85m	n/a	100	Group financial crisis – Review – refocus on US and Europe, divest from non-core activities and Asia	Giant/DFI (HK)
2003	Delhaize	SGP	1999	4	33sm+2cs	37,889	€140.4m	€21.9m	49	Approach and attractive offer, plus scale\greater potential elsewhere in Asia	Cold Storage/DFI (HK)
2003	SHV\Makro	TWN	1990	13	8C&C			written off	100	Continued losses, no sign of recovery despite new management – tried to sell then close	Closed
2004	Ahold	THA	1997	7	47sm+wholesale	10,777	€313m	(€18m)	100	Group financial crisis – Review – refocus on US and Europe, divest from non-core activities and Asia	Central Group (THA)
2004	Delhaize	THA	1997	7	36sm	36,385		(€8.5m)	100	Loss making and scale of investment needed to become profitable, sell and close 5 stores	Central Group (THA)
2005	Carrefour	JPN	2000	5	8hm	75,000		€72m	100	Part of Review – sell insufficiently profitable assets –franchise tradename and supply PB	AEON (JPN)
2005	Spar	SGP	2003	2					Contract	Not Known	Not Known
2006	Tesco	TWN	2000	5	6hm	44,965	£108m	swop	100	No detailed explanation – about building scale from swop (Czech & Slovak for Taiwan)	Carrefour (FRA)
2006	Carrefour	KOR	1996	10	31hm	280,000		€1,500m	100	No specific reason given	E-Land (KOR)
2006	Casino	TWN	1998	8	14 hm	90,000	€163m		50	Performance, not leadership position, sold to partner "non-strategic asset disposal programme"	Far Eastern (TWN)
2006	SHV\Makro	MYS	1993	13	8C&C			£73m	65	Performance - "intense competitive pressure" and re-focus of Asian activities	Tesco (GBR)
2007	SHV\Makro	CHN	1996	11	4C&C			€122m	49	Re-focus on key markets – not developing quickly enough	Lotte (KOR)
2007	SHV\Makro	PHL	1996	11	15C&C				40	Re-focus on key markets – legal, fiscal, economic barriers to sustainable business	SM Investments (PHL)
2008	SHV\Makro	IDN	1992	16	19C&C		€305m	€246m	84	Re-focus on key markets – new management team put in place 2006, no improvement	Lotte (KOR)

Store types: hm = hypermarket; C&C = cash-and-carry, sm = supermarket, cs = convenience store; h&b = health & beauty

Table 3: Reasons for Country Exit, 2012-2016

Date of Exit	Company	Destination	Date of Entry	Time in Market	Number of Stores	Floorspace (sqm)	Sales in Market	Value of Sale	% of operation	Narrative for Exit	Sold to
2012	Carrefour	SGP	1997	15	2hm	16,000			100	Plassat Review – market position not strong enough\limited growth potential	Closed
2012	Carrefour	MYS	1994	18	26hm	173,000		€250m	100	Plassat Review – market position not strong enough\limited growth potential	AEON (JPN)
2012	Tesco	JPN	2003	9	140sm&cs	46,196	£476m	(€40m)	100	Performance – makes losses and can't build sufficiently scale-able business	AEON (JPN)
2013	Carrefour	IDN	1998	15	71hm+13sm	449,000		€701m	60	Plassat Review – market position not strong enough\limited growth potential – to franchise	CT Corp (IDN)
2013	SHV\Makro	THA	1989	24	57C&C				49	No reason – but last Asian operation and focus on LATIM	CP Group (THA)
2014	Tesco	CHN	2004	10	117hm+14other	945,659	£1,423m	(£345m)	100	Cost of expansion and returns, move to cautious approach and scale back through venture	CRE (CHN)
2014	Metro	VNM	2002	12	19C&C			€655m	100	Attractive offer, provides better growth prospects (although retrenching from some markets)	BJC/TTC (VNM)
2015	Tesco	KOR	1999	16	424own+543fran	1,542,237	£5,383m	£4,240m	100	Domestic problems – need to raise cash to bolster balance sheet	Investors (KOR)
2016	Casino	THA	1998	18	125hm+55sm +391cs+163h&b	1,102,000	€3,400m	€3,100m	58.6	Debt problems at home – withdraw from Asia – focus on France and LATIM	TTC (THA)
2016	Casino	VNM	2001	15	152hm+2cs	155,000	€586m	€920m	100	Debt problems at home – withdraw from Asia – focus on France and LATIM	Central Group (THA)

Store types: hm = hypermarket; C&C = cash-and-carry, sm = supermarket, cs = convenience store; h&b = health & beauty

Table 4: Dynamic Divestment Pressures and Outcomes

Phase	Pioneer Adjustment	Resistance and Market Consolidation	Reconfiguring the Global Firm
Dominant Divestment Pressures	Adjusting to Market Norms • additional\unanticipated costs • reactions to consumer expectations & behaviours • format adaptations • site acquisition costs and delays	Re-Regulation Response • protectionist agenda • directly targeted regulation • controls over large stores • controls over 'modern retailing'	Global (European) Financial Crisis • pressures on domestic markets • investor expectations & stockbroker pressures • new (external) management teams with 'recovery' remits
	Supply Chain Investments • unexpected complexity • inadequate existing infrastructure • expected efficiencies unobtainable	Supplier Resistance • rejection of terms & conditions • unfair practices • refusal to supply • complaints to public authorities	Regional Ambitions of Regional Competition • proactive moves for assets • acquirers not acquired • willing to compete for and pay a premium for assets
	Coping with Existing Regulations • interaction with existing systems • delays in expansion • engagement in game playing	(Re)emergence of Local Competition • influence with local stakeholders (press, suppliers, political) • stronger local competition • 'buy back' of assets and shareholdings	Re-Regulation Activities • controls over smaller stores • controls over competitive \operating processes
Focus and Outcomes	Local Market Refinement • additional sunk costs and delays • unable to achieve expected first mover advantages as quickly as desired • invest elsewhere in region	Regional Market Consolidation • resistance impacting on business model, unable to maximise efficiencies • regional (key) market concentration rather than market spreading	Global Market Rationalisation • corporate returns on investment • cashing in on asset sales • focus on wider firm not individual markets or regions • divest perceived 'peripheral' activities

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