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Globalization of Retailing and Related Cross Cultural Issues

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Abstract

Globalization has become progressively prominent in the early 21st century as many U.S-based companies look to grow by expanding their marketplace in other countries. Due to the saturated domestic market, many retailers have chosen to work outside of their home country because globalization has given them the access to the new customers and new capital useful in global marketing. International retailers will face many challenges when they work outside their home country, such as, cultural differences, business negotiation patterns, rules and regulations and many more. This report includes other major factors that affect the international retailing.

Keywords: Globalization of retailing, cultural differences, strategies to success in international retailing, business negotiations.

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Introduction

Internationalization was defined as the processes of divergent and convergent which can exist within the local, regional and global environment. Internationalization of retailing was the transmission of retail management technology or the formation of international trading relationship which will bring retail organization to the level of international integration which established the retailer in the international environment

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(Brent, 2008). There were many reasons that retailers go internationally. Many of the studies were restricting the broad range of 'push' and 'pull' factors, both company-specific and environmental that might influence the decision of retailers to whether or not to internationalize into different markets. Such factors would definitely influence whether retailers will enter into a certain market or not: country background, distribution structures, macroeconomics, competitive nature of market, sophistication of customer base, supplier, retail market size and growth, and additional growth drivers such as lifestyle and pricing trends, market forecasts, taxation and many more (Akehurst & Alexander, 2005). Consolidation was referring to the merger and the acquisition of smaller companies into larger companies. Some of the famous international retailers have chosen the method of consolidation because they believed it was not only a good way to work with other retailers from different countries, it also brought a number of benefits to them too. On the other hand, cultural issues have always occurred when the retailer did not know or understand the countries' background, culture, language, rules and regulations and so on.

This report includes some of the samples of cultural differences faced by the retailers when they work in other countries (Hollander & Boddewyn, 2003). However, there were successful formula in international retailing, for example, vertically integrated retailers who sold exclusive products with a "marquis value", different category of products that manufactured by multiple vendors in an economically superior format, and others (Phillips, 2006). The word "Flow" referred to the movement of retailing ideas, formulas, or concepts from one enterprise to another within the same region or between different regions. An international flow of retailing know-how can be divided into two categories: unplanned and planned. Moreover, the process of transferring retailing know-how may experience serious problems in the absence of certain preconditions or basic infrastructure. The transfer of retailing concepts or techniques would be easier when the countries shared the similar social and cultural environments and in an equivalent stage of economic development (Poneman, Baum & Eisman, 2007). In addition, consumer purchasing behavior have changed dramatically in this late 21st century. Retailers must always get themselves updated and do more research regarding the products or services that consumers have demanded. Negotiation relates to the knowledge from the fields of communication, sales, marketing, sociology, psychology, politics, economics, trade, and international businesses and even in conflict resolution. Negotiation does provide equal opportunities and enabling environment for the parties to exchange commitments or promises to resolve their disagreements and minimize conflicting areas to finally reach peaceful settlement. Miscommunication often arise when the participants from one culture is unable to understand culturally determined differences in communication practices, traditions, and thought processing (Tian & Borges, 2011).

What is globalization of retailing?

There were many explanations of globalization of retailing by various authors. For example, according to Sternquist, she argued that the term "globalization" or "internationalization" were to be applied to cases where the 'retailer intentionally considered internationalization options as part of an overall market expansion strategy (as cited in Coe, 2003). On the other hand, Alexander (1997) defined internationalization of retailing as "the transmission of retail management technology or the creation of international trading relationship which will bring to retail organization to the level of international integration which established the retailer in the international environment" (as cited in Coe, 2003).

Who are internationalizing?

Akehurst & Alexander (2005) argued that there were many bases that international retailers can be involved such as operational approach, geographical dispersion, operational cost and control. For instance, according to the study of Chen and Sternquist (as cited in Akehurst & Alexander, 2005) they were comparing two retailers which one were international Japanese retailers while the another were Japanese retailers who have not internationalized their operations, and thereby identify key elements which helped to define international categories of retailer. In this study, it showed the great understanding of the internationalization process as to compare those unsuccessful attempts in internationalization with those who have succeeded. While an increasing amount of information concern with individual company experience is emerging, an in-depth consideration of a retailer's experience is a valuable means of understanding fully in the process of internationalization (Akehurst & Alexander, 2005).

Why are retailers internationalizing?

First of all, there were wide variety of theoretical and analytical approaches to the effective conceptualization of retail internationalization processes. However, according to Davies & Fergusson (as cited in Coe, 2003) many of the studies were delineating the broad range of 'push' and 'pull' factors, both company-specific and environmental that might influence the decision of retailers to whether or not to internationalize into different markets. There was a table below (Table 1) showing the summary of the key factors identified, and a range of 'facilitating' factors. Range of these factors will combine to influence a particular location-investment decision. When a retailer wanted to internationalize or globalized its store to worldwide, there were many considerations have to be seriously considered. For example, Chain Store Age had identified the following factors: country background (e.g. political stability), distribution structures, macroeconomics, competitive nature of market, sophistication of customer base, supplier, retail market size and growth, also additional growth drivers such as lifestyle and pricing trends, market forecasts, taxation and many more. Wrigley and Lowe (2003) mentioned that there was a tendency to settle on the implementation of international investment instead of its sustenance and expansion (as cited in Coe, 2003).

Secondly, there were many "stages" theories. According to the work of Vida and Fairhurst explained that firms were continually faced by two strategic decisions which were where overseas to distribute resources, and how to best enter into international markets in view of external opportunities and constraints (as cited in Coe, 2003). Firm and management decision-making characteristics were the whole process, which in their view could be subdivided into knowledge, experience and attitudes (Brent, 2008).

Table 1 Factors traditionally cited as influencing retail internationalization

'Push' factors	Facilitating factors	'Pull' factors
Perceived/imminent saturation in domestic markets	Use of surplus capital/ access to cheaper sources of capital	Unexploited markets
Spreading of risk	Entrepreneurial vision	Pre-emption of rivals
Consolidation of buying power	Inducements from suppliers to enter new markets	Higher profit potential
Public policy	Removal of barriers to entry	Consumer market segments not yet exploited
Economic situation	ICT's	Access to new management
Maturity of format		Reaction to manufacturer internationalization
		Following existing customers abroad

Source: Wrigley and Lowe (2002)

Thirdly, other authors have attempted to use Dunning's well-known eclectic paradigm with its highlighting on ownership, location, and internationalization (OLI) advantages. Sternquist explained that for ownership, she identified asset-based advantages associated with unique products or reputation, and transaction-based advantages derived from specific method of retailing such as volume buying. For location, she used above mentioned traditional push or pull factors for assessing how attractive a foreign country was for investment. Lastly, for internationalization, she argued how different modes could affect a company abilities to protect its proprietary knowledge such as franchising less than ownership (Coe, 2003, p, 19).

Based on Wrigley (2003), overseas expansion of the late 1990s was not a distrustful reaction to over-dependence on the home market, but was powered by the need to sustain earning growth by using their free cash flow to secure revenue growth. Similarly, there was a significant factor which was the pressure from the financial institutions to secure profits and dividends (Zhao, Lin & Hoge, 2007). Furthermore, emerging markets also offered some market opportunities: potentially rapid economic development and rising levels of affluence, consumer spending and retail sales, in combination of low levels of penetration of Western forms of large store retailing and associated distribution systems. Most of the retail sales in these markets were usually for the small independent retailers or informal retail channels. On the other hand, leading international retailers were able to use their scale, lower costs of capital, and advanced distribution and logistics systems to obtain rapid revenue growth and higher returns on their investment (Talay & Townsend, 2011). Although rates of return dropped as land and real estate prices started to rise and there was an increasing competition from other global retailers at the late 1990s, the emerging markets still continued to offer advantageous labor and capital investment per store costs, and rapid revenue growth.

Consolidation of internationalizing

The pace of retail consolidation over the last few years seemed to gain momentum during the year of 1999 (Fels, 2009). The top ten retailers by 1999 sales were as followed: Wal-Mart, Metro, Kroger, Carrefour, Home Depot, Albertson's, Sears, Kmart, Intermarche*, Ahold. These retailers were responsible for $515 billion in sales, gain of 13.7% over the $453 billion than they did in 1998, and 25% more than the $412 billion they achieved in 1997 (Brand, 2003). There were quite a number of growth forms in 1999. While some enlarged by building new stores, the choice of expansion appeared to be the strategy of merger and acquisition, especially in the food and general merchandise sectors. This however made it possible for some of the retailers to expand their presence in many countries without the need for building new stores (Brand, 2003). Nevertheless, there were some important questions that need to be asked: What were some of the reasons behind the merger and acquisition activity in 1999? What are the benefits gained from this activity? What regulatory and cultural issues have retailers entering into foreign lands had to deal with and how these issues affected them and their competitors? (Hollander & Boddewyn, 2003). Brand (2003) explained that Wal-Mart was the world's number one ranked retailer, increasing the lead over its competitors by a significant margin with 1999 sales of $165 billion. Conversely, US based Kroger was relatively a small player in 1998 with only $28.2 billion in sales, have moved to third place among the biggest retailers, with 1999 sales of $45.4 billion. Other than that, French based Carrefour have roused from ninth to fourth place in 1999 with the sales of $39.8 billion.

Benefits of consolidation

Consolidation also content some of the benefits. Increased economies of scale is one of the very important benefits to the big players. When two companies combined operations, this resulted in lowered costs for administration, manufacturing and logistics. Then, these economies of scales reduced costs per unit of sale. Brand (2003) mentioned that global scale came an opportunity to control that scale with regard to global sourcing. This was significant in which increase in purchasing power and an ability to align with suppliers around the world bring with them the ability to reduce or maintain the cost of goods, which was then passed on to consumers (Talay & Townsend, 2011). For example, Royal Ahold had a negotiation with Mitsubishi International for the purchase of tuna to resell under Royal Ahold's private label. Finally, it was reported that the deal have saved Royal Ahold $2 million. The massive size of Wal-Mart and its simultaneous purchasing power, the imperious exists for competitors to find ways to increase their own purchasing power and supply chain efficiency. With the aid of software company, Oracle, retailers like Sears, Carrefour, J. Sainsbury were forming a web-based business to business marketplace known as Global Net Xchange. After that, another consortium of retailers declared that they had formed the World Wide Retail Exchange which allowed the retailers formed to partnership to give themselves an opportunity to buy, sell, trade, or auction goods and services over the internet (Zhao, Lin & Hoge, 2007).

Globalization and cultural issues

Selling goods at low prices and the ability to source globally was just one of the many features that was going to win over consumers (Zhao, Lin & Hoge, 2007). Here is an

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interesting example of the sale of dog food in different countries. For example, Wal-Mart have sold its private-label dog food called OI' Roy, with English setter on the package. This did not settle well in Germany because terriers were more familiar to the citizens. The image was changed immediately. Wal-Mart has some lessons to learn in France too. Hypermarkets in Europe, particularly those operated by Carrefour, have been modeled after the original French open-air markets. Most markets sold goods based on price, but these markets not only did not based on price, but on sight and smell too. These hypermarkets set up like giant-sized enclosed street markets which presented fruits and vegetables in large, open bins that begged to be shopped. Wal-Mart came in with the shrink-wrapped produce that it was accustomed to display in its grocery sections, it was a big shock to the sense of the European consumer especially the French. Wal-Mart quickly learned that consumers were not about to readily abandon customs for the lure of low prices alone. Then, Wal-Mart quickly adapted to the styles of the hypermarkets and finally began to employ the strategy here in the United State (Akehurst & Alexander, 2005). Here is another example of Wal-Mart in Germany.

On January 3, there was an extensive price-cutting campaign in Germany, setting off war among Germany's largest supermarket chains: Metro, Aldi, Edeka, Rewe and Globus (Huff, 2010). Wal-Mart's strategy not only affected German retailer about the issues of price. Before Wal-Mart entered into Germany, it was very normal to find a discount store with dark aisles and unorganized display products. Customer services did not really help much inside many of these outlets. After Wal-Mart have entered, it brought a severe wake up call to these retailers with brighter lighting, wider aisles, clear signage, and checkouts where the cashiers actually bagged the customer's purchase. Regulatory issues were also one the dimensions of foreign expansion. For instance, Germany is a country which hold on to its culture strongly, has presented a restrictive environment to its retailers. For the real estate, Germany regulated the construction of stores in excess of 1,200 square meters, and limited the large format retail outlets and shopping centers to designated location. There was another law that limited the operation hour for the retailers. For example, all retailers except the selected convenience stores must be closed on Sunday. High labor cost was also one of the restrictions. This have forced the retailers to find ways of hiring full-time employees. On the other hand, there was a similar restrictive environment that existed in China, where Wal-Mart learned the importance of political relationships in connection with retail construction. The retailer must seek site approval from the government on a case by case basis. Sometimes, the rules are not always clear but and can be changed frequently, Wal-Mart have deemed it necessary to have a government relations staff there to quicken the process (Phillips, 2006).

Case studies of corporate culture

Coe (2003) demonstrated that the corporate culture of individual firms may have a significant bearing on their internationalization strategies, whether they should internationalize at all. The firm-specific cultures of Wal-Mart, Carrefour, Tesco and others must be explored using the productive approach. According to Greenwood et al. (as cited in Coe, 2003) research in the accountancy sector which illustrated the importance of company history and culture in shaping how firms manage the internationalization process. Corporate strategy and economic restructuring were socially and culturally determined processes, with managerial identities playing a key role. Although such interpretation has many implications, international expansion rationalized particularly through mergers, joint venture and acquisitions. According to Shackleton (as cited in Coe, 2003) corporate culture was basically influential during the post-acquisition period when two different corporate cultures collided. A series of power struggles during the post-acquisition period as the corporate cultures contend for supremacy. There was a second argument made by Shackleton was the transfer of corporate culture during the overseas diversification process can stimulate industry-wide restructuring. For instance, there will be significant periods of displacement and restructuring among the obligatory firms when there was the entry of culturally divergent competitor coming together. It can be seen as the direct opposition to the management literature which sees differences in corporate culture acting as powerful barriers to entry.

The review of Wal-Mart experience

There was another year of acquisition for Wal-Mart. Wal-Mart's most publicized and largest takeover of the year was announced on June 14 when it made a bid for the United Kingdom's third largest retailer, ASDA, which had $13.6 billion in sales of its own in 1998 and 229 stores. After that, Wal-Mart paid around $10.8 billion to the retailer, and it quickly doubled its international sales as a result (Brand, 2003). At the beginning year of 1999, Wal-Mart took control of 74 Intrerspar hypermarket units from Spars Handel AG which, along with the ASDA acquisition, contributed to a sales gain for Wal-Mart's international division of 86 percent and a growth in operating income of 49 percent. Meanwhile, Wal-Mart also have end its merger deal with Mexican retailer Cifra and acquired the Wertkauf German hypermarket chain of 21 stores. Moreover, although Wal-Mart was the top first retailer back then, it also have many competitors around it. For instance, Carrefour have made its own attention- grabbing deal in 1999 when it merged with the Promodes Group in a $15.8 billion deal. This action was seen by many to be Carrefour's answer to Wal-Mart's deal with ASDA, and a counter-strategy designed to prevent Wal-Mart's threat of continued European expansion (Brand, 2003). Together the combined sales of Promodes and Carrefour, they were $48.8 billion in 1999, and by the time 2000 is over, Carrefour, with the presence of Promodes, may be world's number two retailer, pulling ahead of German retailer Metro finally.

Brand (2003) mentioned that even though Wal-Mart has most of the US presence, it was still not the largest retailer on the European continent. Carrefour knew it had to join forces with Promodes before Wal-Mart did, in case Wal-Mart began to acquire the dominance in Europe like how it did in the United States. Furthermore, there was also domestic consolidation particularly from threat of competition from Wal-Mart in the grocery store, has not just spurred consolidation abroad, but in the United State as well. Kroger was busy building the US's largest supermarket company through merger with Fred Meyer and the acquisition of select Winn Dixie assets when Wal-Mart and Carrefour were busying carving up the European continent (Poneman, Baum & Eisman, 2007). Next, domestic acquisition by foreign retailers. There has been plenty of non US companies were feasting on US retailers while there have been acquisitions of US retailers by US based companies. For example, although Germany's Aldi has been increasing its position in the US marketplace with the expansion of its stores, which basically selling low price goods under its Sweet Heart private label which it was not in the acquisition mode.

Opportunities abound, aware of pitfalls

Poneman, Baum & Eisman (2007) argued that there was a worldwide expansion of the strongest operators and formats in the globalization of retailing. The natural result of the victory value when American consumers had to settle for average value from low to moderately priced furniture for several years. Many manufacturers' assortments were low quality items, many specialty stores were highly markup even though they were in low price ranges. Many manufacturers were inefficient, and product development capability was necessary to deliver unbeatable value (King, Oakes & Furrow, 2013). At this point, no one was actually satisfying with the large markets for their great value, high quality, and contemporary furniture at low to moderate prices. Then, Ikea entered into the field, it was one of the world class Swedish company. Ikea was very successful in Canada and Europe, and now it can be found in most of the countries in the world. Globalization was also a logical extension of the industry's rationalization process. International expansion was most likely to be very attractive investment opportunity in the context of highly competitive or saturated domestic markets (Poneman, Baum & Eisman, 2007).

Key features of retail internationalization

Firstly, the primary key dynamic of mechanisms of retail internationalization was the operation of overseas retail outlets. The growth rate and overall scale of operations were increasing dramatically. The opposite of overseas expansion was the potential for increased competition in the home market from foreign operators (Swoboda & Anderer, 2008). Secondly, international sourcing which was also known as global sourcing of products was another crucial aspect of international expansion. International sourcing can be directly reflected their increased capitalization and buying power, improvement in distribution and logistics system, and have lower barriers to trade for commodities (Pioch & Gerhard, 2014). Next, there will be considerable transfer of management expertise between different domestic retail systems, through international searches for new ideas and technologies. There were many types of expertise could be transferred, for instance, design concepts, management tools, store formats, retail technologies and customer service initiatives (Coe, 2003, p. 5).

Flow of retailing know-how

Kacker (2008) argued that the term "know-how" was used in broad sense to show the business concept, operating policies, and techniques employed in a retail business in a given environmental setting. There were two main dimensions which were managerial dimension and technical dimension. Managerial dimension was about encompassing concepts, systems and policies while technical dimension was about the techniques employed such as site selection, store layout, buying, and merchandise planning (Kacker, 2008). For example, the well-known specialty retailer "Toys R Us" had developed a unique retailing formula which blended the concepts of self service and discounting with specialty retailing. The store also used a grid layout because the store not only offered a variety of merchandise, most importantly, it allowed customers to move freely along the aisles. As a chain-store organization, it involved in large-scale buying operations, which literally lead to cost savings and lower prices.

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International Know-How: The Vehicles of Flow

The word "Flow" referred to the movement of retailing ideas, formulas, or concepts from one enterprise to another within the same region or between different regions. An international flow of retailing know-how can be divided into two categories. The first one will be unplanned or incidental. Secondly, planned or purposive. Kacker (2008) explained that an unplanned flow can also be explain as diffusion took place during overseas business trips and in professional meetings or seminars when a firm was interested in the retailing concept or technology working effectively in another country and decided to try it in home country without any collaboration with overseas retailers. On the other hand, a planned flow was the purposive transfer of a conventional technology or innovation from one country to another. During this flow, it involved in the rational movement of information and techniques on how to perform either easy or hard tasks. Government agencies may introduce the transfer of retail technology because some governments in the developing countries seek assistance from a foreign retailer in setting up a network of retail outlets (Kacker, 2008). The transfer of retailing know-how may be resulted from negotiations between two companies or governments leading to an agreement such as management contract or joint venture. According to Spencer (as cited in Kacker, 2008) direct foreign investments may also occurred during the transfer of retailing know-how between two countries.

Transfer of retailing know-how: preconditions, problems, and impact

Moreover, the process of transferring retailing know-how may experience serious problems in the absence of certain preconditions or basic infrastructure. Any new attempt regarding to the transfer of retailing practice may prove ineffective if it did not serve customers more efficiently than established practices (Kacker, 2008). Lack of sufficient market base can also make it more difficult to justify the investment needed for experimenting with the new concepts (Poneman, Baum & Eisman, 2007). Every country has its own culture, social, norms, background and so on. The transfer of retailing concepts or techniques would be easier when the countries shared the similar social and cultural environments and are in an equivalent stage of economic development. This showed why many retailing concepts had smooth sailing when they moved from North America to Western Europe but faced rough seas when they were tried in less developed countries. Kacker (2008) mentioned that the transfer of retailing know-how required a minimum level of economic growth, flexible public policy and a level of education among people that enables them to welcome new ideas. For example, in Japan, new retailing concepts have gained a fast acceptance after the economy had undergone significant structural changes like women have started to enter into the work force. In contrary, a number of difficulties can be experienced when the concept of the supermarket was introduced to the less developed countries. As a standard supermarket, the supermarket technology required a consistent supply of energy, advanced product packaging and refrigeration, and modern transportation and fast communication facilities. When these preconditions did not exist or were not sufficient, innovations had to be modified and concessions made in store size, merchandise mix, pricing levels, degree of self-service, or the extent of the target market. Even when two countries were compatible in term of economic environments, the pace of adoption was affected by demographics, social mores, public policy, and the actions of individual firms. These factors can cause temporal gaps in the adoption of retail innovations (Talay & Townsend, 2011).

Mass-merchandising know-how

Mass-merchandising know-how related to the procurement and selling of household consumer goods at low margin and high volume through retail institutions such as variety stores, limited-line department stores, and discount stores (Kacker, 2008). It required systematic location and development of supply source which products were made available in the quantity and quality desired at reasonable price, backed by guarantees of performance and service. The implementation of the technique required the creation of many support facilities, such as reliable merchandise sourcing, quality control, display, pricing and credit, which were not adequate in many countries. The pace of transfer increased, however, when prominent mass merchandisers made strategic moves into international markets in search of new growth opportunities (Zhao, Lin & Hoge, 2007). For instance, multinational manufacturers like Singer, Bata Shoe and Tandy played an important role in transferring retailing concepts and techniques to other countries. Firstly, they set up the company-operated retail stores to demonstrate the possibility of new concepts in the host environment. Then, they assisted the domestic retail businesses to learn improved methods in source development, testing and repairs, employees training, promotion, display and so on. The international retailers also employed the buyers and designers to lead local artisans and craftsmen in the manufacturing of high-ticket items, which would lead to the enhancement of skills and employment (Kacker, 2008).

Cross-cultural issues in international consumer marketing

Consumers have many perceptions when it comes to purchasing something. Consumers can process the information of the products by forming concrete mental images which consist of the 4 senses such as smell, sight, taste, and tactile sensations. Researcher Bower, Paivio and Yates (as cited in Huff, 2010) imagery can enhance memory, including memory of product attributes. Beichen Liang and Joseph Cherian (as cited in Huff, 2010) examined the similarities and differences in how Americans and Chinese use information to create mental images. They mentioned that Chinese have an interdependent view of self, whom tend to think concretely, which also meant that they like to perceive things as part of their real-life settings. On the other hand, Americans have a more independent view of self, whom tend to think abstractly, which also meant that isolating objects of their attributes and generalizing across contexts on the basis of conceptual similarity. For example, an abstract thinker may say, “I am a sports fan.” While a concrete thinker would say “I often watch basketball games with my friends and family.” Huff (2010) argued that culture can influence the number and the type of mental images when consumers are exposed to abstract and concrete information in advertisements. According to the research from Liang and Cherian (2004), they speculated that Chinese would like to generate more mental images and higher proportion of interdependent (versus independent) mental images than Americans when exposed to abstract information. Also, Chinese were expected to generate as many mental images from abstract information as from concrete information because they think concretely and work naturally to transform abstract information into concrete images. In contrary, Americans were more likely to form more mental images when given concrete information instead of abstract information.

Next, there was another research done by Perry and Motley about how culture influences home buying and marketing in United States and Saudi Arabia (King, Oakes & Furrow, 2013). For an American, owning a home has long been a sign of the American Dream, which reflects values such as self-sufficiency, independence, and ownership. There were many financial infrastructure had helped make home ownership available for 69% of Americans, who fully expect to finance their homes with mortgages that require payments of both interest and principle. In contrast, it was a promising for home buying and home finance in Saudi Arabia. This was because the values of Arab are different, for example, balance and simplicity and an Islamic principle that states that seeking possessions for the sake of personal possessing was unacceptable. According to Khan and Ali (as cited in Huff, 2010) the fact that Islamic and Saudi law forbids the payment of riba, or interest. In order to remain "Sharia-compliant", Saudi financial institutions have had to find creative ways to make home financing available. Advertisement of the theme of homes were also different in United States and Saudi Arabia. "Homeownership the Sharia Way," a theme that reflected both the strong respect for religious tradition and the high level of uncertainty avoidance in Saudi Arabia (Hong, 2012). Words like loan, interest, and mortgage were essentially taboo in Saudi home financing advertisements, while affordability of interest charges and other financing terms are central to many U.S. advertisements. On the other side, United States used more rational, informational advertisements which were focusing on direct benefits to the potential home buyers, while emotional and transformational advertisements were basically focusing on family relationships were more common in Saudi Arabia, reflecting appeals to individualistic and collectivist cultures.

Understanding cross-cultural complexity

There were many definitions of culture since back to the year as early as 1952. There were many new definitions have appeared since then. Ways of behaving and rules were the focus of normative definitions of culture. According to Bauman (as cited in Sarkar, 2010) defined culture as the mode of practice, created and recreated through "actions filled with theory", and because of their ability to theorize, human beings were shape and break, even break out of cultural patterns. Definition of culture from Geert Hofstede (1980) as the collective programming of the mind which distinguished the members of one human group to another. Culture encompassed the systems of values forming the building blocks of culture. Sarkar (2010) argued that it was truly important to closely examine and understand each cultures' characteristics and their consequences. It was necessary to have a deep understanding of the characteristics because it will help explain and strategize to deal with the cross-cultural issues and differences that basically create a huge impact on international business negotiations which help adjust with the hard and non-coherent mode of communication to the individual culture while negotiating with counterparts. Furthermore, cultures around the world shared four similar characteristics: culture is shared, culture is learned, it is based of symbols, and it is integrated. A system of symbols needed to be created to translate the ideas of culture to its members whether from one person to another or from one generation to the next (Akehurst & Alexander, 2005). Thus, this was accomplished through language, art, religion, and money.

To identify culture's core values, an important aspect of social life which provide socio-cultural environment gives its members a basic orientation as the shared rationale for behavior and incapacitate with practical value to negotiators who need to resolve, integrate, or transcend cultural difference in order to obtain the desire outcome. There were eight key cultural dimensions which are: individualism, communication, time, action, power distance, structure, thinking and environment. According to Hendon (as cited in Sarkar, 2010) after identifying the eight situational variables in the negotiating process, it will lead to a better understanding of negotiating styles in the context of divergent culture: purposes, issues, protocols, communications, arguments, trust, time and decision-making. When dealing with transnational negotiation, the process of negotiation and inherent bargaining will be more complex largely due to cross-border asymmetry arising out of socio-economic, geo-political and cross-cultural factors, for example, ethos, social and religious values, customs and traditions (Fels, 2009).

Global business negotiation

The word negotiation is defined as the process of interactions which involve two individuals or groups to reach a joint agreement about defining needs or ideas. The situation will be more complicated when it comes to cross-cultural negotiation because of the differences in cultures, environments, communication styles, political systems, ideologies, traditions and customs. Sarkar (2010) argued that negotiation applies knowledge from the fields of communication, sales, marketing, sociology, psychology, politics, economics, trade, and international businesses and even in conflict resolution. Negotiation does provide equal opportunities and enabling environment for the parties to exchange commitments or promises to resolve their disagreements and minimize conflicting areas to finally reach peaceful settlement. Furthermore, negotiations in the context of international business lie at the heart of international diplomacy (Sarkar, 2010). Parties such as government and non-government employ the art and science of negotiation to protect and advance their organizational and basic interests. The skillfulness of the negotiation can really advance a party's interests and help to avoid a less attractive alternative such as wars, litigation, or extended dispute settlement procedures under the WTO administration. The context of trade relations in international negotiations may include negotiations over prices, tariffs, and sales negotiations over broad principles related to the environment, labor, health, safety and environment, and other emerging disputes and impacts of trade related agreements.

Problems in business communication

Swoboda & Anderer (2008) argued that miscommunication often arise when the participants from one culture are unable to understand culturally determined differences in communication practices, traditions, and thought processing. Most of the time, ethnocentric is the whole cause of creating problems. Ethnocentric is the belief that one's own cultural group is instinctively superior to others. Ethnocentrism is deceptive because members of any culture perceive their own behavior as logical, since that behavior works for them (Tian & Borges, 2011). In international business, questions often arise regarding what is proper by which culture's values, what is wise by which culture's view of the world, and what is right by whose standards. In order to overcome this, one needs to understand how the perception of a given message changes depending on the culturally determined viewpoint of those communicating.

Managing business relationship development

Relationship marketing- effective Business Relationship Development (BRD) orientation has been rooted in Western cultures for decades. As the concept of BRD had become increasingly prevalent in global markets, the question of how multinational organizations effectively process local business relationships has gained great attention. Relationship marketing for effective BRD in Western companies appeared to be a dominant paradigm, but on the other hand, Guanxi utilization or networking was the standard in Chinese society. Both paradigms emphasize strategic effectiveness and efficiency. According to Dunning (as cited in Cheng-Lung, 2009) multinational enterprises (MNEs) have been defined as those corporations that “engage in foreign direct investment (FDI) and own or control value-adding activities in more than one country”.

Effective business relationship development (BRD)

According to Gruen (as cited in Cheng-Lung, 2009) relationship marketing can enhance the efficiency and effectiveness of marketing efforts by focusing on profitable customers. Marketers have to limit relationship marketing by only focusing on serving the needs of key customers and measuring the success of relationship marketing as a growth in control or ownership of a customer’s business. In addition, Guanxi was defined as “good and close connection” in Confucian societies. Guanxi network played a positive and important roles for members to work together and gain competitive advantages (Zhao, Lin & Hoge, 2007). According to Wong and Leung (as cited in Cheng-Lung) benefits of quick interaction within networks, reciprocity and trust for partners, and high levels of flexibility and adaptation were basically derived from the usage of Guanxi which were practiced by the four Small Dragons of Asia (Taiwan, Hong Kong, Singapore and Thailand). Guanxi Network Orientation (GNO) as managing BRD to cut costs associated with environmental uncertainties and gain competitive advantages by sharing both resources and inter-organizational knowledge.

Clan vs. Market type of organizational culture

The clan culture was characterized as being internally focused. The “clan” culture was adaptive and focused on developing human resources, commitment and morale (Cheng-Lung, 2009). Organizational members of “clan” culture were bonded by loyalty, tradition and interpersonal cohesion. A clan culture tended to employ an organic process which was a flexible approach to management in a dynamic changing environment. On the other hand, the market culture was externally focused. Market culture tended to employ a mechanistic process of management. All rules and procedures were well written, formalized and closely followed under well-defined chains of command. In order for the market culture to strive for competitive advantage and market superiority, it must consist goal-orientation, production and competition to unite people within the organization (Cheng-Lung, 2009).

Lastly, larger multi-national firms were more concerned about global market and organizational competing value like market-oriented strategy, due to local cultural norms than they were with local market dynamics. There was a high degree need of local responsiveness for a subsidiary's strategy which was one of the ways to business survival especially for those smaller firms who wish to expand into overseas markets (Hong, 2012). Cheng Lung (2009) mentioned that the successful strategic implementation of Business Relationship Development (BDR) was not simply the implementation of the parent company's competing values entrenched in the organizational culture, but also a strategic adaptation of the business mission to local markets by skillfully mixing Chinese Guanxi Network Orientation (GNO) and Western Relationship Marketing Orientation (RMO) (Cheng-Lung, 2009). In order to be successful for the first step in BRD, there were a high need of understanding and commitment to the parent company's policy. For instances, for an American firm, formal meetings and open discussions were more effective practices than social interactions for project implementation of BRD. In contrast, solid personal relationships and internal harmony were very important for a local manager to smooth BRD in a multi-national Chinese firm. Also, dealing with local customers, Americans comprehending the importance for written agreements and clarifying values and benefits of the product and services because they were more effective practices for American customers. When dealing with Chinese customers, building bond and trust must come first (Hong, 2012). Great flexibility must be employed in the business contracts and strategic adaptations on BRD.

Increase in volume of internationally sourced products

The increase of international sourcing derived from three directions which were the requirement of the retailers, the evolving structure of major suppliers and socio-political change. Similarly, the main reason for retailers to seek foreign sources was cost reduction. The competitive pressure in term of price has forced retailers to seek low-cost sources (Dawson, Larke & Mukoyama, 2006). This was particularly true in retailer branded products with the retailer specifying the configuration and quality of the product and negotiating lower prices from suppliers, especially in the emergent economies of Central Europe and East Asia. For example, in the late 1990s, there was a drastic shift in sourcing undertaken by Marks & Spencer, when it moved away from the UK suppliers to reduce costs is further evidence of this generic strategic decision, in retailing, to seek lower cost sources for products. The increase in scale of the major retailers also meant that they often have to seek multiple suppliers, potentially from different countries to reduce risks for some products. Dawson, Larke & Mukoyama (2006) explained that brand rationalization was defined as that retailers in different countries carried the same 'global' brands and when this was attached with the rationalization of production facilities to obtain scale economies, then increased international sourcing in the foreseeable result. Most of the major manufacturers attempt to reduce costs by moving or focusing production of their brands into low-cost countries which then increased international sourcing by retailers.

Phillips (2006) mentioned that the retailers and suppliers chose the strategic options based on the changes in socio-political and socio-technical environment which could result in increased volumes of international sourcing. The trend towards the lowering of international trade barriers within Europe as part of European integration and the creation of a common currency, the collapse of the barriers for trade with Central Europe, and widely as part of multilateral and WTO trade agreements have become significant facilitators of international sourcing by retailers (Dawson, Larke & Mukoyama , 2006). The willingness of retailers to explore international sources has increased as a result of the greater ease or organizing relationships with foreign suppliers resulting from the reduction in trade barriers. The reduction in transaction costs has been facilitated by developments in information and communication technologies. Dawson, Larke & Mukoyama (2006) explained that the logistics systems were affected by the advances in technology such that the organization of the physical flow of products has become more efficient and able to accommodate different requirements for the different items.

Building an international retail strategy

Dawson, Larke & Mukoyama (2006) argued that opportunism occurred when the decision to internationalize, and its concrete modalities, was taken in the absence of rational criteria, acquired experience, and detailed evaluation of risks. Decisions may be taken quickly by managers regarding the choice of the country or the timing of internationalization. Opportunism often leads to under-performance in the market entry phase, which will lead to the company's withdrawal from the country or to a lag in moving to the growth phase. Along the learning curve, after the first phase marked by opportunistic decisions, there was a second phase that involved the definition of objectives, country groups and pre-defined missions (Peterson & Welch, 2000). Then, opportunity occurred when the time and methods selected to internationalize mean that the firm was currently or potentially fulfil key criteria that it has set for itself, in applying the formats on an international level (Dawson, Larke & Mukoyama, 2006).

Success formulas in the international retailing

There were three common formulas for the success in international retail arena. Firstly, the first formula was to vertically integrated retailers who sold exclusive products with a "marquis value". The word "marquis" was basically used in the European countries which it is defined as a nobleman ranking above the count (Poneman, Baum & Eisman, 2007). There were some retailers that were litigating this formula such as Brooks Brothers, Tiffany, Laura Ashley, and The Gap. The "marquis value" of the products played as a very important role to this formula because it not only generated consumer recognition and awareness, it also created customer traffic (Dawson, Larke & Mukoyama, 2006).

Secondly, this formula applied to retailers who sell commodity products or different category of products that manufactured by multiple vendors in an economically superior format. It should be both low cost and competitively feasible in this format (Poneman, Baum & Eisman, 2007). For example, hypermarkets like LeClerc, Carrefour, Auchan and others had successfully rolled out across Europe by using this formula. However, this concept did not work well in US. Although inherently low cost, hypermarkets in US were less powerful competitively, as they square off against two strong and equally low-cost channels of distribution that were more focused: supermarkets chains and discount department stores. Not only have that, membership warehoused clubs and home improvement centers also became forces internationally (Fels, 2009).

Lastly, the last formula was applied to retailers who operated efficient format that sell products manufactured by a few powerful manufacturer, particularly those oligopoly type of products. Poneman, Baum & Eisman (2007) explained that the relationship between the retailers and manufacturer was reciprocal, the manufacturer created the primary demand for their products, then the retailers delivered the products in the most efficient manner. For instance, Toys "R" Us was the international specialty retailer of toys, a product segment dominated by Hasbro, Mattel and Nintendo. On the other hand, Woolworth's Foot Locker was also the leading international specialty retailer of athletic footwear, a product segment dominated by Reebok, Nike, and Adidas (Huff, 2010). Finally, international retailers must crisply implement their concept for each of the formula. Successful retailers must develop infrastructures in each country, as required, international headquarters staff, operations staff like store level personnel, the real estate function, management information systems, the warehouse and distribution function and purchasing procedures. In order to be successful, it required to walk a fine line between the discipline of the "cookie cutter" approach to expansion and the perceptiveness to adapt to local customs and conditions (Poneman, Baum & Eisman, 2007).

The prerequisites for international success

In order to be successful in the international market, retailers must understand some of the important elements of the prerequisites for international success. By understanding and knowing the elements below, retailers will be flourish in the international market soon.

Strong retail business formula in the home market

According to Pederzolli (as cited in Dawson, Larke & Mukoyama, 2006) the prerequisite of launching the retail operations on international markets was to create a strong proven formula. The business formula was a combination of material and non-material elements owned by the retail firm and providing solutions that were both global and specific to the consumers in terms of sales of goods and services. For instances, Carrefour annual reports showed its formula revolved around three points which were i) controlling the sales model (assortment, discount strategy, innovation), ii) establishing the economic model (revenues and investment on square meter basis) and finally, iii) determining the financial model (site ownership or rental).

Size of domestic market

The second prerequisite was the importance of the domestic market as the base that can guarantee future development. For example, Wal-Mart, the large size of its domestic market had helped subsidize considerable losses on international ventures like the acquisition in Germany. A strong home market position allowed for losses over a sustained time period in new markets and in later phases on international development (Dawson, Larke & Mukoyama, 2006).

Exportability of the retail formula

The ability to 'export' a store formula lied in the formula's capacity to create real added value, which can be perceived by the consumer in other countries and other cultures. There was a failure of 'French-style' hypermarkets in US in the 1980s and 1990s pointed to the fact that the perceived value of a formula in a country was not the same when transposed to another country. If the formula was already benefits from an international reputation and strong differentiation, acceptability could be the target of consumers who were familiar with the store brand abroad or who were highly sensitive to innovation. For example, the launch of Starbucks in France was made easier by the brand reputation being already established, not just as a place at which to drink coffee, but a place to spend a moment of life (Dawson, Larke & Mukoyama, 2006).

Characteristics of the expanding international retailers

Dawson, Larke & Mukoyama (2006) explained that most of the firms have one or more of other successful factors that were attributable to them. Most of them have taken control of branding and the retailer now control branding instead of manufacturer. Most have entered and adapted to new markets. Firms also sought economies of scale and scope in respect particularly of sourcing and marketing, they also tried to find ways to increase the speed of response, notably the speed at which managerial processes operate and the speed at which managerial decisions were made.

Innovation

Innovation in retailing context was one of the three important areas. Innovation can be applied to format and formula development. It can be applied to the processes that operate within the retail firm. It can be applied to the items (goods and services) that were sold by the retailers. According to LSA (as cited in Dawson & Mukoyama, 2006) there was overlap in the ways that the innovation have effect but it was useful to consider innovation in these ways when viewing the transferability of this key factor. Innovation applied to formats where changes that provided faster, easier and better customer service. Electronic pricing and customer self-scanning were now becoming very famous. Innovation can be seen in many aspect of store design and layout, for example the experimental stores. For example, the Tesco decision had developed a Tesco Express formula for the convenience store format involved an innovatory approach to rapid store development and conversion. Format innovation was a major part of retail innovation. It was transferable across borders in Europe and transferable from Europe to Asia, and this showed the ideas of formulae development in the domestic markets of Carrefour, Tesco, Zara were transferred to formulae in Asian markets. There was a new formats emerge in the new markets as was seen in the new Value format of Tesco in Thailand and in the compact hypermarkets in Central Europe. In addition, format innovation was in the processes within the firm. Innovations here were to remove costs from the supply chain with retailers taking control of logistics and operating through central distribution depots (Dawson, Larke & Mukoyama, 2006). The international transfer of the systems associated with operational process involved the production of manuals and documents that make explicit the tacit knowledge involved. Next, the third area of innovation was in the items for sale. Ready-to-eat meals, or meal solutions were good examples of innovation at the item level. It had become an important means of inter-firm competition because there was a rapidly expanding product category in all the successful food retailers. Innovation by retailers, was seen as transferable but there was a combination of managerial practice and consumer acceptability that was necessary before the innovation became successful for the retailer. Innovation was the essence of being able to compete in a highly competitive market (Phillips, 2006).

Control of the brand

The second key approach of European retailers in becoming competitively successful was to taking control of the brand. The brand operated at three level: that of the company, the store and the item for sales. Each of it was different but retailers aligned their brand activities across three labels then they became significant brands. Sometimes, the power of the retailer and the strength of their brand have become very dominant that the activities of the manufacturer can be seen as complementing the activities of the retailer rather than the more traditional reverse of this situation (Dawson, Larke & Mukoyama, 2006). During the mid-1980s, the major food retailers have realized the importance of branding. Tesco has moved strongly in this area during the mid-1990s moving from branding the items for sale to branding their store formats. When store, brand, and item were closely related, as many specialist non-food retailers, transfer of the brand may be achieved with minimal adaptation, but until it met consumer expectations success may be limited. In transferring the brand to the new market, it was often necessary to build the brand rather than expect it to obtain an immediate response from consumers. This usually involved adaptation of some of the peripheral brand values to allow the brand to engage with consumers. Some of the European retailers have been able to take control of all aspects of their brand when operating in another culture realm in the way that they have done in their home European markets (Dawson, Larke & Mukoyama, 2006).

Adaption to the market

The adaptability and adaptions to the markets were also one of the most important key success factor (Dawson, Larke & Mukoyama, 2006). Existing formulae in home markets have been adapted to the changes in the customer base. Boots have adapted their formula in the UK to respond to consumer changes also in response to competition from the retailers in the food and grocery sector. For example, Carrefour have changed their hypermarket formula in France with the new concept stores being developed on a regular basis. Tesco have also moved away from the conforming store concept to more rapid formula evolution. For instance, Ahold and Tesco have both moved into convenience store formats within their domestic market. These developments have allowed retailers to become multi-format operators in domestic markets and also to broaden their portfolio of target consumer groups. Dawson, Larke & Mukoyama (2006) argued that adaption was a fundamental prerequisite for entry by retailers into non-domestic markets. Retailers which operated in local markets with local customers and so adaption to all aspects of local economy, society and politics was necessary. This not only involved adaption for entry but also continuing adaption as the market changes. The requirement of continuous adaption to the local market for international retailer was very strong. It sets international retailing apart from international production. Adaptability in the home market was the key success factor for domestic operation. While the core concepts of the firm were often relatively easily transferable, the responsiveness to local market was much more difficult. The capability to adapt depends on the extent to which local managerial control was released by the head office of the retailer to enable decisions to be made locally. However, success also need to depend on consumers accepting the foreign firm's way of doing business and their approach to adaption (Dawson, Larke & Mukoyama, 2006).

Discussion

As shown above, cultural issues in international retailing were very common yet many retailers were still doing the same mistakes like how the older retailers have done in the past. They should realize that the world of retailing was emerging, and working in the international markets were never an easy task. Culture, norms, background, language, regulations, consumer purchasing pattern and many other factors were always the retailers' concerns. By understanding all these simple factors, the retailers could simply succeed and retained their market in foreign countries. On the other hand, Kacker (2008) argued that the term "know-how" was used in a broad sense to signify the business concept, operating policies, and techniques employed in a retail business in a given environmental setting. There were two main dimensions which were managerial dimension and technical dimension. Managerial dimension was about encompassing concepts, systems and policies while technical dimension was about the techniques employed such as site selection, store layout, buying, and merchandise planning.

Mass-merchandising know-how related to the procurement and selling of household consumer goods at low margin and high volume through retail institutions such as variety stores, limited-line department stores, and discount stores. It was truly important to closely examine and understand each cultures' characteristics and their ramifications. It was necessary to have a deep understanding of the characteristics because it will help explain and strategize to deal with the cross-cultural issues and differences that basically create a huge impact on international business negotiations which help adjust with the difficult and non-coherent mode of communication to the individual culture while negotiating with counterparts. Comparatively, as the concept of Business Relationship Development (BRD) had become increasingly pervasive in global markets, the question of how multinational organizations effectively process local business relationships has gained great attention. The "clan" culture was adaptive and focused on developing human resources, commitment and morale. . A clan culture tended to employ an organic process which was a flexible approach to management in a dynamic changing environment. On the other hand, the market culture was externally focused. Market culture tended to employ a mechanistic process of management. In conclusion, there were some strategies that retailers should understand so that they will be successful in the future. For instances, strong retail format in the home market, size of domestic market, and exportability of retail formula.

Conclusion

On the whole, the term "globalization" or "internationalization" were to be applied to cases where the 'retailer deliberately considered internationalization options as part of an overall market expansion strategy. There was a wide variety of theoretical and analytical approaches to the effective conceptualization of retail internationalization processes. However, according to Davies & Fergusson (as cited in Coe, 2003) many of the studies were delimiting the broad range of 'push' and 'pull' factors, both company-specific and environmental that might influence the decision of retailers to whether or not to internationalize into different markets. The growth rate and overall scale of operations were increasing dramatically. International sourcing can be directly reflected their increased capitalization and buying power, improvement in distribution and logistics system, and have lower barriers to trade for commodities. The corporate culture of individual firms may have a significant bearing on their internationalization strategies, whether they internationalize at all. There were three common formulas for the success in international retail arena. Firstly, the first formula was to vertically integrated retailers who sold proprietary products with a "marquis value". Secondly, this formula applied to retailers who sell commodity products or different category of products that manufactured by multiple vendors in an economically superior format. The last formula was applied to retailers who operated efficient format that sell products manufactured by a few powerful manufacturer. The word "Flow" referred to the movement of retailing ideas, formulas, or concepts from one enterprise to another within the same region or between different regions. Moreover, the process of transfer of retailing know-how may experience serious problems in the absence of certain preconditions or basic infrastructure. Any new attempt regarding to the transfer of retailing practice may prove futile if it did not serve customers more efficiently than prevalent practices. In addition, consumers may have many perceptions when it comes to purchasing something. Imagery can enhance memory, including memory of product attributes. Cultures around the world shared four similar characteristics: culture is shared, culture is learned, it is based of symbols, and it is integrated. A system of symbols needed to be created to translate the ideas of culture to its members whether from one person to another or from one generation to the next. Next, relationship marketing can enhance the efficiency and effectiveness of marketing efforts by focusing on profitable customers. Marketers have to limit relationship marketing by only focusing on serving the needs of key customers and measuring the success of relationship marketing as a growth in control or ownership of a customer's business. Lastly, there were also characteristics of expanding international retailing, for example, innovation, control of the brand, and the adaptions to the market.

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