Bianchi, Constanza (2009) ***Retail internationalisation from emerging markets : case study evidence from Chile***. International Marketing Review, 26(2). pp. 221-243.

RETAIL INTERNATIONALISATION FROM EMERGING MARKETS: CASE STUDY EVIDENCE FROM CHILE

Abstract

Purpose:
Research on international retailing has generally emanated from Europe and North America. Nonetheless, retailers from emerging countries can also be important players in some regional markets. The aim of this paper is to explore how retailers from emerging markets can become strong enough to compete internationally.

Methodology/Approach:
The study examines a longitudinal case study of the internationalisation process of Falabella, a Chilean retailer that has recently become an important player in the Latin America retail industry. Drawing on 32 interviews with company managers, as well as industry data and corporate reports, this paper provides insights into the successful internationalisation process of a retailer from an emerging country.

Findings:
In particular, these findings suggest that specific capabilities and resources, such as local and regional partnerships, organisational learning, innovation orientation, adaptation to the local markets, and an experienced management team, are required for emerging market retailers to internationalise and improve their likelihood of success in foreign markets.

Research limitations/implications:
This paper explores an underdeveloped topic through the analysis of a longitudinal case study. Thus, it is necessary to further expand this line of research and investigate other emerging market retailers.

Practical Implications:
This study raises a number of important issues for emerging market retail managers that are reluctant to expand abroad and compete with large multinationals from developed markets, or that are struggling with their actual internationalisation process.

Originality/Value:
To date, the retail internationalisation literature has focused on the international experiences of firms from developed nations. However, there is a gap in the literature as to how retailers from emerging countries can become strong enough to compete internationally.

Keyword: Retailing, International Business, Emerging Markets, Chile, Latin America

Paper type: Case Study Research

RETAIL INTERNATIONALISATION FROM EMERGING MARKETS: CASE STUDY EVIDENCE FROM CHILE

Introduction

Firms from emerging markets are increasing their efforts to integrate into the global economy and have started to invest further abroad (Hoskisson *et al.*, 2000; Khanna and Palepu, 1997). In the retailing sphere, however, it is clear that the emphasis on retail internationalisation has traditionally focused on the international experiences of firms from developed nations (Alexander and Myers, 1999; Fernie and Arnold, 2002; Larke, 2004; Meyer-Ohle, 2007; Vida *et al.*, 2000). This is probably due to the fact that the world's most prominent retailers include Wal-Mart, Carrefour, The Home Depot, Tesco, and Metro: all of them from developed markets (Deloitte, 2008). As a result, there is less understanding of how retailers from emerging countries can become strong enough to compete internationally.

Emerging markets are increasingly prominent in the world economy. In 2002, emerging economies accounted for 12% of the world's foreign direct investment (FDI) outflows (UNCTAD, 2003). This is a result of the rapid pace of development and government policies that favour economic liberalisation. The growing importance of emerging economies is also reflected in increased research in the international business discipline (Hoskisson *et al.*, 2000) and several calls for more studies on emerging markets (Burgess and Steenkamp, 2006).

Theoretical models of retail internationalisation suggest that the source of competitive advantage exploited by a retailer is based on firm capabilities and resources embedded within a set of domestic environmental factors, and that these may be affected by the foreign environment when expanding internationally (e.g., Salmon and Tordjman, 1989; Dawson, 1994; Sternquist, 1997; Vida and Fairhurst, 1998; Alexander and Myers, 2000). Nevertheless, retailers from emerging countries have less resources and capabilities available for international expansion due to their home country's lower levels of economic development. Thus, a relevant question is raised: Can retailers from emerging countries expand their operations abroad and become successful international players?

Although very few examples of successful retail internationalisation from emerging countries are found in the literature, several retail companies from these markets are expanding regionally and competing successfully with large companies from developed nations. For instance, Chilean retailers are becoming relevant actors in the Latin American region and have been able to defend their home market from large multinationals such as Wal-Mart, Home Depot, and Carrefour (Bianchi and Ostale, 2006a; Wall Street Journal, 2007).

While the attention given to retail internationalisation from emerging markets has been minimal in the literature, a stronger body of knowledge exists in the international business arena. Several researchers have found that companies from emerging countries can be global champions (Sinha, 2005; Khanna and Palepu, 2006). However, the fact that retailers from a small and emerging country such as Chile have shown themselves capable of international growth has essentially been ignored.

This exploratory study draws from the literature on international retailing and international business to examine the internationalisation process of a successful retailer from an emerging country. By integrating these approaches, the main research question of this study is as follows: *What are the key resources and capabilities needed by retailers from emerging markets to compete successfully in foreign markets?*

In order to address this question, this paper seeks to explore and analyse the internationalisation experience of the Chilean retailer Falabella in Latin America, which will provide unique insights into a previously unexplored sector in the international retailing field. Since the objective of this study is to address an unexplored area of research, case study methodology was deemed most appropriate for this purpose. Specifically, a longitudinal case study of the internationalisation process of Falabella from 1993 to 2007 was used to analyse an example of an emerging market retailer that has become an important and successful regional actor in Latin America. Drawing from 32 in-depth interviews with relevant managers, four interviews with industry experts, and secondary data, this paper explores the ways in which retail internationalisation was achieved by this Chilean company.

This paper will first review the relevant literature for assessing emerging market retail internationalisation. Next, a longitudinal case study methodology is used to illuminate the resources and capabilities needed for emerging market retailers to succeed internationally. The paper concludes with a discussion of the findings, and some areas for future research.

Literature Review

Retail Internationalisation

Compared to the manufacturing sector, international retailing is a young discipline and has only been the subject of recent theoretical and empirical research. Topics including the motives and direction of international retail expansion, as well as individual company experiences, are now well documented in the literature (Treadgold, 1991; Alexander and Myers, 2000; Sternquist, 1997; Laulajainen, 1991; Dawson, 1994; Alexander, 1995; Vida and Fairhurst, 1998). Additionally, several theoretical frameworks of the retail internationalisation process have emerged (e.g., Salmon and Tordjman, 1989; Dawson, 1994; Sternquist, 1997; Vida and Fairhurst, 1998; Alexander and Myers, 2000). These models highlight the internal driving forces behind the internationalisation process of retailing that promote or inhibit the initiation of international retail activity.

Specifically, Alexander and Myers (2000) proposed a general framework for addressing the retail internationalisation process that assumes that the source of competitive advantage exploited by a retailer in the domestic market is related to the firm's internal organisational and managerial capabilities. Implicitly, this work follows a resource-based-view theoretical approach, which is concerned with the influence of firm resources and capabilities in explaining how firms can achieve and sustain competitive advantage (Barney, 1991). Organisational capabilities for internationalising retailers correspond to retail mix elements such as the uniqueness of products, merchandise assortment, retail concept, and competitive pricing, along with the necessary resources for international expansion. Management capabilities refer to the experience, attitude and leadership qualities of managers that participate in this process. This framework recognises that the source of advantage exploited by a retailer is formulated within a set of domestic environmental factors, and when transferring this source of advantage to a different market conditions, the environmental context may change. Thus, performance will depend on the ability of the retail firm to respond to the new market conditions encountered (Alexander and Myers, 2000).

Although the contribution of the previous retailing literature is notable, most of this work addresses the drivers and mechanisms of the internationalisation process, thus less has been researched on post-internationalisation aspects of the process. Several authors recognise that once a firm has started its internationalisation process there is no guarantee of its success in a foreign market (e.g., Sparks, 2000). This is emphasised by recent studies that have explored unsuccessful internationalisation attempts and the divestment of international retailers (Goldman, 2000; da Rocha and Dib, 2002;

Alexander and Quinn, 2002; Burt *et al.*, 2002; Bianchi and Ostale, 2006b; Gielens and Dekimpe, 2007; Bianchi and Arnold, 2004). Although these studies highlight the impact of the foreign environment and the importance of local adaptation on international performance, there is still a need for a more insightful understanding of how international retailers can improve the likelihood of international survival and success.

Furthermore, the retailing literature has predominantly been based on evidence from the activities of retail firms from developed markets (Sparks, 2000; Clarke and Rimmer, 1997; Arnold, 2002; McGurr, 2002; Gerhard and Hahn, 2005; Picot-Coupey, 2006; Hutchinson *et al.*, 2006; Meyer-Ohle, 2007). Only a few studies consider retail industries from emerging markets, and these are either mainly descriptive studies (Blois *et al.*, 2001; Alexander and De Lira e Silva, 2002; da Rocha and Dib, 2002; Goldman, 2000; McDonald *et al.*, 2000), or focus on how foreign retailers enter emerging markets (e.g., Welsh *et al.*, 2006; Bianchi and Arnold, 2004). Therefore, there is still little understanding of how retailers from emerging countries can become capable enough to compete and succeed internationally.

Emerging Markets

Emerging markets are generally defined as “low income, rapid growth countries using economic liberalisation as their primary engine of growth” (Hoskisson *et al.*, 2000). Emerging market contexts are characterised by institutional turbulence and lower levels of economic development compared to developed nations (Welsh *et al.*, 2006). Firms from emerging markets are not known for having the most innovative technology, superior human capital, or world-recognised brands. They may also experience shortages of financial capital, which attenuates the implementation of marketing strategies in international markets (Wright *et al.*, 2005; Arnold and Quelch, 1998).

Nevertheless, emerging markets are also unsaturated compared to developed ones and consumers are eager for better products and services with international quality (Welsh *et al.*, 2006).

While the attention given to emerging markets in the retailing literature has been minimal, a recent body of work in the marketing and international business literature has explored the competencies needed to enter and operate in emerging markets (Arnold and Quelch, 1998; Eckhardt, 2005; Fahy *et al.*, 2005; Hoskisson *et al.*, 2000; Khanna and Palepu, 2006; Kim *et al.*, 2004; Walters and Samiee, 2003; Yaprak *et al.*, 2006; Yiu *et al.*, 2005; Zhang *et al.*, 2007). Additionally, several studies have explored how companies from emerging markets can become important international players, although most of these studies specifically investigate manufacturing firms (Aulakh *et al.*, 2000; Aybar and Thirunavukkarasu, 2005; Bonaglia *et al.*, 2007; Yiu *et al.*, 2007a; Zhu *et al.*, 2006; Vernon-Wortzel and Wortzel, 1988).

Evidence from this literature demonstrates that contrary to the expectations of many scholars, companies from emerging markets can succeed in the international arena (Wright *et al.*, 2005; Sinha, 2005; Aybar and Thirunavukkarasu, 2005; Lall, 1983; Hennan and Keegan, 1979), and even perform better than their respective country market indices (Aybar and Thirunavukkarasu, 2005; Del Sol and Kogan, 2007). Nevertheless, the capabilities needed by emerging economies to perform internationally may be different from those of mature economies due to the fact that these firms exist in different resource environments based on their institutional and economic context (Wan and Hoskisson, 2003). This is because emerging market firms reside in less generous-resource environments, given the relative underdevelopment of their home countries (Guillen, 2000). Thus, these firms must follow a distinctive approach to internationalisation and pursue strategies that enable them to catch up with more resourceful players from developed markets (Bonaglia *et al*., 2007).

A number of studies show that specific resources and capabilities of emerging market firms can provide a source of competitive advantage by matching the requirements of another emerging market characterised by underdeveloped institutions and a lack of economic resources. For example, Aulakh *et al*., (2000) found that for internationalising emerging country firms, differentiation strategies (as opposed to cost-based strategies) enhanced performance in other emerging countries. The authors argue that the shortage of products and competitors in emerging markets provide tremendous opportunities for other emerging market firms to pursue differentiation strategies.

Another advantage of emerging market firms compared to their developed counterparts is that when entering other emerging markets, their marketing strategies do not consider Western-style development but emerging market economic development (London and Hart, 2004; Dawar and Frost, 1999). For example, Lall (1983) found that firms from emerging countries outperformed their counterparts from developed markets when entering other emerging markets owing to their resource endowments of lower-cost inputs, affiliation with a business group, ethnic considerations in the host country, and technology and management that are adapted to the host country conditions. Similarly, Lee and Beamish (1995) found that Korean firms face a lower knowledge gap when operating in other emerging economies because these new contexts present a similar economic and institutional environment to their home country context. Thus, firms from emerging countries possess a marketing knowledge that might be unavailable to firms from developed countries.

Moreover, a major source of advantage for firms is management capabilities, especially managerial skills and international experience, which are two capabilities highlighted in the international business literature that improve the performance of internationalising firms (Luo, 2000). Managerial skills are reflected in human resource management, the effectiveness of information flow, coordination, and organisational structure. International experience comprises experience with international operations and specific foreign markets. Further, the key role played by retail managers who take an international perspective is specifically acknowledged (Dawson, 1994).

Other sources of competitive advantage for emerging market firms include ties with home or host country networks, which can provide important capabilities for emerging market firms when they pursue internationalisation. Elango and Pattnaik (2007) found that firms from emerging markets draw on the international experience of their parental and foreign networks to build the capabilities and resources to operate internationally. For example, in some emerging economies such as China, firms have to seek government approval when they plan to open foreign ventures. Similarly, Yiu *et al*. (2005) found that business groups are substitutes for imperfect market institutions in emerging economies and argue that business groups facilitate organisational legitimation in emerging economies. Guillen (2000) also examined business groups in emerging markets and concluded that they add value to member firms by pooling and distributing heterogeneous resources through related and unrelated diversification.

Lastly, Yiu *et al.* (2007a) highlight the role of capabilities such as technological know-how and innovation orientation in increasing internationalisation venturing performance for emerging market firms. This is consistent with previous empirical findings in the international business and marketing literature that firms with higher levels of technological know-how are more likely to internationalise and help with the knowledge integration of operations in different countries (Frost and Zhou, 2005).

In conclusion, the theoretical premise of the study is that retail internationalisation success for emerging market retailers is largely dependent on the resources and capabilities developed and acquired by those retail firms to expand their source of competitive advantage in new international markets. Drawing from the international retailing literature, these resources can be either organisational or managerial, such as the uniqueness of products or retail concept, merchandise assortment, competitive pricing, financial resources, international experience, attitude and the leadership qualities of managers. In addition, the international business literature suggests that networks with home and host actors may generate unique capabilities for firms from emerging markets and help them compete against more financially and technologically resourceful retailers from developed nations. Thus, the main research question of this study is as follows: *What are the key resources and capabilities needed by retailers from emerging markets to succeed in foreign markets?*

Research Methodology

Given the relatively unexplored nature of the research topic (retail internationalisation from emerging countries), this study adopted an exploratory qualitative research strategy (Yin, 1994). Case study methodology was used to assess the internationalisation process of an emerging market retailer. Case studies allow researchers to study an organisation and its environment in a natural setting and obtain rich insights into complex processes (Yin, 1994). The single case approach has been an increasingly popular methodology within the retail internationalisation literature and has enabled various researchers to provide important new insights into the field (Palmer and Quinn, 2007; Sparks, 2000). Additionally, exploratory methods such as case studies have been recognised as being particularly useful for examining strategies in emerging markets (Hoskisson *et al.*, 2000).

More specifically, this research is based on a single longitudinal case study of the Chilean retailer Falabella and its regional expansion into Latin America from 1993 to 2007. This single case was considered to be appropriate because it is highly pertinent to the objective of the study (Perry, 1998). Falabella has shown consistent growth compared to other local retail competitors. Internationalisation has been a major focus for the company for the last 15 years, which is uncommon for retailers from the Latin American region, and most of Falabella's operations have been successful.

The research involved the triangulation of different sources of data, including interviews with company managers in each market, interviews with retail experts, industry information, and archival data. The main data collection method was a series of 32 interviews with Falabella managers and executives, conducted from 2001 to 2007. These interviews followed McCracken's (1988) long interview approach. The respondents were selected to provide a broad representation of the organisation, encompassing managers from different areas such as marketing, operations, finance, corporate development, as well as country managers and executives of the foreign operations of the firm (see Table 1).

Insert Table 1 here

Interviews were of a semi-structured nature and lasted an average of 90 minutes. Interview questions focused on Falabella's internationalisation process and performance in each market. Most interviews with managers located in the Chilean market were conducted in person; however, the interviews held with country mangers or executives located in Peru, Argentina, and Colombia were conducted via telephone due to geographical distance. All interviews were recorded and transcribed. For confidentiality reasons, the identities of respondents are not disclosed.

Interviews were also conducted with organisations directly and indirectly involved in the internationalisation process of Falabella. Specifically, two interviews were held with senior managers of strategic partner organisations. One was a drug store chain of which Falabella has 20% ownership, and the other was a large shopping centre located in Santiago, where Falabella operates a department store. Two additional interviews were carried out with the general manager of the Chamber of Commerce in Chile and with a financial advisor of a banking institution. These interviews provide a broader understanding of Falabella's domestic and international performance from the point of view of external executives and result in valuable insights from organisations and stakeholders that do not participate directly in the internationalisation process but have a thorough knowledge of the industry and of Falabella's performance. Finally, secondary sources such as corporate web pages, annual reports, press articles, historical research, and information about the industry were analysed. Recommendations from Golder (2000) were used to evaluate the authenticity of the information sources.

The process of analysis and interpretation resulted in inferences that were used to generate insights and connections to the research question and previous research (Spiggle, 1994). Overall, interpretations of the data, which were triangulated with secondary data and institutional analysis, resulted in a number of common themes.

The next section presents an overview of the case background and a description of the company's domestic operation and internationalisation process with regards to Argentina, Peru and Colombia. Following this, the paper reports the findings from the interviews. Previous retail internationalisation research was used to guide the analysis and interpretation of the data. Excerpts from the interviews are used through the findings to illuminate relevant themes. These key themes are discussed in the following section.

Case Background

Retail internationalisation is increasing in Latin America. During the last 15 years, this region has experienced the arrival of large American and European retail chains such as Wal-Mart, Carrefour, and Casino, with their international expertise and vanguard technology (Sullivan, 2007). In Mexico, Argentina and Brazil, these retail chains from developed markets have become important market leaders (Maharajh and Heitmeyer, 2005).

However, the retailing industry in Chile differs from other Latin American countries. The largest Chilean retailers are domestic family businesses that compete strongly in this small market. Moreover, the strong local competition has hindered the internationalisation attempts of large multinational retailers such as Sears, J.C. Penney, Royal Ahold, Carrefour, and Home Depot, making the Chilean retail industry predominantly locally owned (Bianchi and Ostale, 2006b). Furthermore, Chilean retailers have expanded abroad to neighbouring markets and are becoming increasingly relevant players in countries such as Argentina, Peru, Colombia, and Mexico.

Falabella

Falabella is the largest department store chain, home improvement retailer, credit card controller, and a relevant shopping mall owner in Chile. At the end of 2007, the company's consolidated sales were US$5.7 billion (see Figure 1).

Insert Figure 1 here

The company is one of Latin America's largest, most competitive, and most diversified retailers (AmericaEconomia, 2007a; Forbes, 2007) and operates 175 stores located in Chile, Argentina, Peru, and Colombia (see Table 2).

Insert Table 2 here

Falabella has remained under the same family ownership for over 60 years, and family members still actively participate in executive roles. According to the owners, Falabella's main source of competitive advantage consists of developing permanent and consistent market research, which allows the retailer to provide middle-income consumers with access to a perfect combination of fashion, technology, merchandise, and services. The company operates a successful corporate credit card (CMR), as well as financial services, travel agencies and an insurance company, among other services. Additionally, Falabella engages in the shopping centre retail business by owning several centres in Chile, Peru and Argentina, as a way to secure the permanent presence of their stores in the selected locations.

The company was founded in 1889 by Salvatore Falabella, initially as a tailor shop. In 1937, the company was bought by Alberto Solari and during the 1960s the Solari family initiated a growth process by expanding Falabella's product lines to include electronics and home merchandise in order to establish its department store format. In 1980, Falabella provided Chilean consumers with the first retail corporate credit card, known as CMR, which has developed and grown to become the market leader in 2007. Seventy percent of consumer sales in Chile are conducted using CMR. Through retail credit, lower-income consumers have had access to a wider assortment of quality products, as well as to different retail stores in partnering businesses. This credit card has also enabled Falabella to acquire valuable information about consumer purchasing behaviour and establish a loyalty program with points that result in discounts and free merchandise.

Falabella started its internationalisation process by entering Argentina in 1993, followed by Peru in 1995, and Colombia in 2003. From the beginning, this retailer aimed to become a leader in the Latin American region, so it needed to internationalise as soon as possible because large retailers such as Wal-Mart and Carrefour were already starting to look at expanding through the region.

In 1997, simultaneous to their internationalisation process, the company engaged in a joint venture with the American home improvement chain Home Depot to operate stores in Chile. Due to the unwillingness of the American retailer to listen to local partner Falabella's suggestions, this venture did not perform as expected, and after three years of continuous losses Home Depot decided to leave the Chilean market. Falabella purchased the five stores of the Chilean operation at the beginning of 2002 and needed only a few months to improve the financial figures of its home improvement business. Moreover, during 2003 Falabella merged with Sodimac, the largest home improvement chain in Chile, which was already present in Colombia. This merger helped to consolidate Falabella in the home improvement business while simultaneously increasing the retailer's international operations.

In 1998, a strong financial crisis hit the Latin American region, which led Falabella to improve its processes and make the necessary changes to confront this regional crisis. In Chile, the company emphasised their more affordable clothing and home merchandise. This led to the emergence and development of several private label brands in electronics, clothes, and home products. In Peru, the firm developed an Express version of their department store and supermarket format, and in Argentina, large investments were frozen. These changed helped sales grow steadily and the retail company defended its market leadership in each country.

During this period, Falabella floated on the stock market and professionalised the company by incorporating modern technology, providing a wider product range, opening local distribution centres, and improving customer service, as well as developing loyalty programs and credit cards for consumers. The company also opened an office in Shangai in order to achieve closeness and better purchase conditions with Chinese suppliers. Along with a strong national expansion strategy, recent acquisitions by Falabella have led the firm to become a multi-format business that includes department stores, home improvement stores, and retail grocery stores.

In 2007, Falabella made a bid to acquire D&S, the largest grocery retail chain in Chile, in an attempt to become the second-largest retailer in Latin America (after Wal-Mart in Mexico). Had it been approved, the merger could have created South America's biggest retailer. However, the Chilean Anti-Trust Tribunal hesitated and did not allow the merger (Vargas, 2008). Although disappointed with the outcome, the company announced future investments of $2.6 billion through to 2011, aimed at expanding the firm's stores in the region (Wall Street Journal, 2008). As a result, during the first quarter of 2008 the first home improvement Sodimac store opened in Buenos Aires, and two new stores opened in Lima, Peru (www.falabella.com).

Findings

From the interviews and secondary data, several themes related to retail firm resources and capabilities emerged, which helped Falabella to compete internationally. Relevant quotes from respondents are mentioned in Table 3.

Insert Table 3 here

Family Conglomerate and Home Country Networks

Large family companies are dominant players in emerging markets. They are known as family conglomerates (or *grupos empresariales*) in Latin America (Kim *et al*., 2004). These family conglomerates have several advantages over companies from developed markets, which make them more legitimate in emerging markets due to their well-established networks and deep understanding of markets and consumers (Kim *et al*., 2004). This is clearly acknowledged in the case of Falabella, since the company is owned by the Solari family conglomerate in Chile and has a well-established national distribution network that can take years for foreign companies to replicate.

The company exhibits strong shared values rooted in the founder's vision and legacy, close ties to the government and ruling political parties, and a deep understanding of the local market and customers. Close links with domestic trade associations and professional bodies are also important for the company, which sponsors and supports retail and marketing conferences, Chambers of Commerce, and university research in each market.

Additionally, Falabella engages in diverse ownership of retail businesses, such as shopping centres, the drug store chain FASA, and manufacturing firms. The top executives act as directors for some of these partner companies, are well known by the community, and are highly regarded as professional and experienced executives. In fact, in 2007 Falabella was chosen as one of the best-managed companies in Latin America (Euromoney, 2007).

Falabella also possesses many networks with local service businesses in all four markets, due to the increasing number of alliances and partnerships developed through its CMR credit card. Consumers can therefore purchase goods and services in allied businesses such as video clubs, gas stations, mobile phone providers, newspaper subscription services, cinemas, and many other retailers, and pay through CMR. This has resulted in the firm's admittance to the Chilean Marketing Hall of Fame in 2002.

Innovation Orientation

A study by Davies and Sanghavi (1995) illustrated how market innovation helped the retailer Toys 'R' Us overcome barriers and become successful in Japan. Similarly, several studies suggest that an innovation orientation leads firms to increased international performance (Yiu *et al.*, 2007a). Falabella has consistently demonstrated innovation and a first mover advantage compared to other local competitors. For example, Falabella was the first Chilean retailer to expand nationally and internationally, as well as the first retailer to launch its own credit card. This card has been a great aid in the development of retailing for middle and low-income consumers in Chile. It has also allowed consumers from four international markets to purchase items in any of Falabella's stores, as well as with their alliance partners. In fact, in 2007 Falabella was recognised as one of the 10 leading Chilean banks (AmericaEconomia, 2007b).

Although 1997 was a year of crisis in Peru, the company introduced CMR and their insurance business through a partnership with a local agency. The role of this credit card in the internationalisation process was crucial because in addition to increasing sales and providing access to credit for consumers, it allowed the company to establish a closer link with customers and identify consumer purchase amounts, frequencies, and shopping preferences. In Colombia, even before opening a department store, the company introduced the CMR card in October 2005, followed by other services.

Another form of innovation that emerges from the data is Falabella's development of new retail formats. During 2002, the first hypermarket (called Tottus) was opened in Lima, despite the company not having a deep knowledge of how to operate this retail format. Falabella decided to take the risk in order to achieve a first mover advantage in the Peruvian market. Thanks to its permanent research activity, the company realised that there was an important opportunity to develop the grocery retailing business in Peru, due to the lack of relevant competitors in this marketplace. In addition, Cencosud, Falabella's major competitor in Chile, was already expressing interest in expanding both its hypermarket and home improvement format to Peru, so Falabella had to act quickly. Thus, in 2004 the company also introduced its home improvement format Sodimac in Peru. Finally, in November 2006, the first Falabella department store was inaugurated in Bogota, and followed by a second store in March 2007. Thus, the retail company innovated through first mover attempts and the opening of new retail formats in international markets.

Organisational Learning

Previous research has stressed the importance of the learning processes for retail internationalisation (Palmer and Quinn, 2005). Consistent with this research, Falabella became aware of foreign companies' intent to enter specific markets and adjusted its products and services to defend itself in its domestic market, predominantly by strengthening service and hiring ex-employees from potential competitors to learn about their weaknesses (Bianchi and Mena, 2004). The company had already observed from several failed internationalisation attempts of foreign companies in Chile that success in the home country does not guarantee success abroad (Burt *et al.*, 2002).

Moreover, Falabella learnt much from foreign retailers that operated in Chile, especially from their experience with Home Depot. Management practices, logistics, technology, customer service, and merchandising were among the most important aspects that Falabella needed to improve if it wanted to become an important international actor. The company recognised that multinational retailers such as Home Depot and J.C. Penney were well advanced in terms of technological know-how and financial resources, but Falabella also understood the retailer's main weaknesses, such as less knowledge of the local market. This helped Falabella learn about the international retail business and improve its international operations.

Likewise, Falabella managers learned from their own international mistakes. Similar to most internationalising firms, their initial attempt to operate in Argentina did not perform as expected. For instance, Falabella incorrectly perceived that there were similarities in consumer tastes and shopping habits between Chileans and Argentineans. The Argentinean environment was totally different to the Chilean environment in terms of the legal norms, consumer preferences and behaviour, as well as import barriers. Argentina was a fashion leader in the region due to its European heritage and immigrants; thus, consumers preferred to shop at boutiques for clothes and hypermarkets for electronics. Most of Falabella's retail offering was focused on clothing, so their main competitors in Argentina were local boutiques and specialised stores. On top of this, shortly after the market entry a strong financial crisis hit the country and consumer spending dropped. Instead of deciding to withdraw from the market, this situation led the company to make structural and strategic changes in their merchandise assortment and sourcing before expanding further in the country.

Based on their experiences from the Argentinean market, the company then made a considerable effort to understand the host marketplace and consumer preferences before entering the Peruvian and Colombian market. According to the top executives of the company, these learning experiences were also applied to the domestic context, which led to further profit increases in Chile. This is consistent with the idea of dynamic capabilities during international expansion, where learning from foreign markets can improve the home market performance (Luo, 2000).

Marketing Knowledge

Retailing research suggests that it is important not only to understand environmental differences, but also to adapt properly to new conditions to achieve success (Dupuis and Prime, 1996). During the internationalisation process, Falabella understood each international market in-depth and was able to standardise several elements of the retail mix across markets, such as the layout and decoration of stores, the communication strategy and management practices, in order to achieve a standardised market position focusing on middle-income consumers and create important synergies among different business areas. The retailer offered similar services in each market, such as CMR, insurance, and travel services, and also tried to standardise its private label brands in clothing and electronics. However, Falabella also understood market differences and adapted marketing mix elements such as merchandise offerings and customer service in order to satisfy consumer differences in tastes and preferences, while also making sure to not hinder the overall company's positioning and branding. Falabella hired as many local employees as possible, but the country director was always Chilean with many years of experience in the company.

In Colombia, the newly-appointed country manager recognised several challenges. It became evident that the Colombian market was different from Peru and Chile, but was more similar to Argentina in fashion trends and purchase behaviour. For example, the department store format was not developed in the country, while formats such as hypermarkets and boutiques were well established in the minds of consumers. Nevertheless, Falabella decided to take the advantage of this trend by adapting part of the retail concept, including providing local chains with a space in Falabella stores.

Entry Mode Strategy

The entry mode literature suggests that firms entering culturally distant markets are better off having a local partner (Barkema *et al.*, 1996). Falabella chose to open its first department store in Mendoza using a Greenfield strategy, mainly due to its geographical closeness and the size of the marketplace. At that point in time, there was a large flow of tourists coming from Argentina (especially Mendoza), which led the company to believe that there would be similar consumer tastes and preferences in both countries. By not having a local partner, Falabella couldn’t anticipate significant differences between both markets.

Falabella understood their various mistakes in the Argentinean market, so in 1995, they opened their first department store in Peru through the acquisition of the local chain SAGA and they operated in this market under the name SAGA-Falabella. The fact that SAGA had already established retail stores, as well as local brand recognition and reputation and market understanding, facilitated the initial operation of SAGA-Falabella in Peru. SAGA was owned by a very well-respected Peruvian business man and was perceived by consumers and the general business community as a legitimate Peruvian brand. This helped protect Falabella from nationalistic demonstrations by consumers due to a latent rivalry between both countries as a result of historical events dating back to the 19th century.

In Colombia, Falabella had already merged with Sodimac in 2003 and the latter firm had been operating in this market since 1995 through a joint venture with the family conglomerate Corona. Similarly to SAGA, the family conglomerate Corona was highly respected and legitimate in the Colombian market and helped Falabella introduce the credit card CMR to the market prior to the opening of its first department store in 2006.

Falabella Management Team

Chile is often seen as a leader in Latin America due to its pro-market reforms over the last three decades. Studies show that Chilean managers know more about operating businesses in recently deregulated and liberalised environments than their counterparts in other Latin American countries (Del Sol and Kogan, 2007). Based on this research, the case study suggests that one source of competitive advantage for Falabella (compared to other retailers from neighbouring countries) is the managerial knowledge of how to operate in emerging economies and the changes that need to be made in overall strategy (Del Sol and Kogan, 2007). For example, Falabella’s management team was highly professional and internationally experienced. The country managers in each market came from Chile and had high levels of education and international experience. When moving into a new market, they shared information and learnt from the local management.

The country manager for the Colombian market was the previous Chilean country manager of SAGA-Falabella in Peru, who lived in Bogota for six months before opening the first store. Furthermore, executives from Falabella were well-accepted among suppliers, competitors, and the general business community in each international market. It was important for these executives to avoid being perceived as arrogant or nationalistic when dealing with local suppliers, since they had already experienced this when Home Depot operated in Chile (Bianchi and Ostale, 2006b). Thus, when entering international markets the company decided that most of the management team should be local.

Furthermore, the data also shows that the top executives from the country office of Falabella were committed, alert, and flexible to adaptation during the internationalisation process. They realised that internationalisation was a continuous and dynamic process and did not finish once the retailer is operating in the new market.

Discussions and Managerial Implications

The longitudinal case of Falabella’s internationalisation process illustrates how a retailer from an emerging market is capable of competing internationally with multinationals from developed nations. Several themes emerge from the case data that contribute to an understanding of retail internationalisation success for firms from emerging countries. Although emerging market retailers may face financial and technological resource scarcities due to the lower level of home country economic development compared to developed nations, specific resources and capabilities provide the means for these retail firms to compete internationally.

An innovation orientation was clearly evident in Falabella’s overall domestic and internationalisation strategy. Initially, Falabella was innovative in its domestic market and gained a strong first mover advantage in all the retail businesses that it operated nationally, which explains the firm’s consistent above-market performance. These innovative actions also appear consistent with the overall positioning of the company to provide middle-income consumers with an outstanding shopping experience. Complementary retail formats, broad service offers, credit options and banking support provided consumers with everything they needed for their families and homes. Furthermore, the interviews show that there is a strong commitment from top executives for company managers to innovate and surprise customers constantly to reinforce their loyalty towards the company. This derives mainly from the legacy of the founders, which is very similar to the origin of other retail firms such as Wal-Mart and Ikea (Arnold, 2002). This innovation orientation was maintained when internationalising and was reflected in the development of new retail formats in Peru, the restructuring strategy in Argentina, and the incorporation of local suppliers in Colombia.

Networks with home and host market actors were found to be another capability for emerging market retailers to deal with problems of underdeveloped market institutions. By having access to domestic and foreign networks, Falabella accumulated an imitable capacity to combine domestic and foreign resources to internationalise. For example, ties with regulatory agents, banks, trade associations, universities, and financial institutions provided this retail firm access to critical resources and especially information regarding regulations and policies, international data, market opportunities, and financial back up (Yiu *et al.*, 2007b). In addition, links with domestic trade associations and professional bodies provided Falabella market intelligence and access to those markets for international operations. Furthermore, relational ties with banks in the host market made it possible to obtain local credit in the foreign markets. Finally, partnering with legitimate local firms helped Falabella adopt the appropriate business styles and avoid problems with nationalistic feelings from host consumers.

Consistent with the literature on family businesses in emerging markets (Kim *et al.*, 2004), belonging to a family conglomerate with so many years in the marketplace helped Falabella acquire several advantages over foreign companies from developed markets, and made the firm legitimate in the eyes of other emerging-market-relevant actors due to the reputation and tradition provided by the family name. These family-based executives had close contacts with peers in other countries within the region due to their active participation in conferences and trade association meetings.

Another important capability that derives from the data has to do with continuous organisational learning. Falabella went through a constant learning process that included not only learning from its own domestic experience of opening stores across the country, but also from the company’s internationalisation experience, which was not successful initially. Falabella particularly learned from multinational retailers, such as Home Depot and J.C. Penney, that entered their domestic market and withdrew after a few years. This supports previous research on retail organisational learning that argues that increased performance is more likely for companies that learn as much as possible from their operations and mistakes as well as from other relevant constituencies (Palmer and Quinn, 2005). This learning helped Falabella acquire the necessary marketing knowledge to understand and adapt properly to environmental differences between markets, while at the same time standardise elements of the marketing mix that are necessary for developing regional or global brands and consistent positioning.

According to competitors and the business community, Falabella managers are one of the most valuable assets of the company. These highly qualified executives with postgraduate degrees had a profound knowledge of the industry, and remained in the firm longer than the industry average. They were chosen carefully by the company directors and although they did not necessarily have international experience, they were exposed to the foreign market and were encouraged to share knowledge amongst themselves. Thus, these executives had strong managerial know-how to operate in emerging economies (Del Sol and Kogan, 2007). The fact that the company encouraged the hiring of local management in each international market again allowed the company to be perceived as legitimate among suppliers, competitors, and the general business community, even though there were nationalistic barriers within these markets.

Theoretical Contributions

This study contributes to the literature on retail internationalisation in several ways. First, theoretical models of retail internationalisation conceptualise international expansion as occurring when firms seek to leverage their competitive advantage in a new setting through specific firm compatibilities (Sternquist, 1997; Vida and Fairhurst, 1998; Alexander and Myers, 2000; Dawson, 1994). The data of this study show that Falabella not only leveraged its competitive advantage through organisational and managerial capabilities and resources, but also upgraded its capabilities from the regional internationalisation process through a learning process. This allowed the retail firm to improve its local retail knowledge and further their expansion opportunities.

This finding is consistent with a dynamic capability perspective of the resource-based-view on international retailing (Luo, 2000).

This finding is also congruent with Alexander and Myers' (2000) contention that the learning process for retailers in the international market is inherent and a fundamental dynamic force. The authors mention that "…the random and incremental factors that determine the process of internationalisation are company-specific, but they occur within an environment that will support such developments. This in turn will alter, within the international environment, the organisation's internal facilitating competencies as the organisation learns of fails to learn from the collection of markets in which it operates" (p. 347). This finding also confirms the work of Yiu *et al.* (2007a), who argue that for emerging countries, firms move across geographic boundaries for resource and knowledge acquisition as well as capability enhancement.

In addition, these findings are consistent with previous research that suggests that organisational capabilities for internationalising retailers correspond to retail mix elements such as product quality and assortment, unique retail concept, and competitive pricing. Although the financial resources for international expansion are lower for emerging market retailers, the case shows that Falabella managed this situation by remaining a family enterprise and developing networks with local or foreign partners. The key role played by managers who take an international perspective is also confirmed in Falabella´s case study, consistent with Dawson (1994).

Although Falabella's international experience is largely successful, the company encountered several problems in the initial stages of this process due to a lack of understanding of their neighbouring countries, specifically of the Argentinean marketplace. It is clear from the data that cultural differences exist among the four Latin American markets, although these are geographically close countries and share a common Hispanic background. This expands previous research studies that address the effect of cultural and psychic distance on internationalisation outcomes (Evans and Mavondo, 2002; O'Grady and Lane, 1997), and supports contentions made in previous studies on international retail organisational learning that neighbouring countries may have large psychic distance (Palmer and Quinn, 2005).

Regarding the international business literature, the findings of this study sustain the argument that companies from emerging markets can succeed in the international arena (Wright *et al*., 2005; Sinha, 2005; Aybar and Thirunavukkarasu, 2005; Lall, 1983; Hennan and Keegan, 1979). Further, the international strategies developed by emerging market firms may have distinct characteristics compared to developed country organisations, and may pursue strategies that enable them to catch up with more resourceful players from developed markets (Bonaglia *et al.*, 2007). For example, consistent with Aulakh *et al.*, (2000), a differentiation strategy enhanced the performance of Falabella in the three foreign markets due to the less developed characteristics of these retailing markets. Similarly, Falabella's retail strategy considered Peru, Argentina and Colombia's economic development with consumers that have lower incomes and high nationalistic pride (London and Hart, 2004; Dawar and Frost, 1999). Also, Falabella offered competitive pricing due to low cost inputs and an efficient logistics system.

Similar to the findings of Lall (1983) and Lee and Beamish (1995), Falabella faced a lower knowledge gap compared to retailers from developed countries when operating in these Latin American markets, because these new contexts presented a similar economic and institutional environment to the domestic context. Finally, the data support previous studies that suggest that firms from emerging markets draw resources and learning from domestic and international networks to build the capabilities and resources to operate internationally (Yiu *et al.*, 2005; Yiu *et al.*, 2007a; Elango and Pattnaik, 2007).

Conclusions

Following several calls for research in emerging markets as a way to advance science (Wright *et al.*, 2005; Burgess and Steenkamp, 2006), the aim of this exploratory study was to examine the internationalisation process of a retailer from an emerging country, a neglected topic in the international retailing literature. Based on a longitudinal case study of the Chilean retailer Falabella's regional internationalisation process from 1993 to 2007, the findings confirm that retailers from emerging markets have the potential to compete internationally with more resourceful players from developed countries, and provide insights into what resources and capabilities will allow them to overcome the liability of originating in a less developed market.

The study of the internationalisation of retailers from emerging countries is at a relatively early stage of development and further work is required to investigate other internationalising retailers with different retail formats. Additionally, several of the themes identified in the data should be explored in more depth with different samples and retail formats, which will provide important insights for developing broader theoretical frameworks of retail internationalisation.

The main limitations of this study are twofold. First, the study is based on a single case, which limits its generalisability. In addition, most interviewees were company employees, and this can exaggerate positive perceptions and opinions towards Falabella's performance. Additional research examining the internationalisation attempts of retailers from other emerging market would help to enhance the understanding of the main competencies and resources need for retail internationalisation success.

Reference List

Alexander, N. (1995) "UK retail expansion in North America and Europe A strategic dilemma", *Journal of Retailing and Consumer Services,* 2**,** 75-81.

Alexander, N. and De Lira e Silva, M. (2002) "Emerging markets and the internationalisation of retailing: the Brazilian experience", *International Journal of Retail and Distribution Management,* 30**,** 300-314.

Alexander, N. and Myers, H. (1999) "European retail expansion in South East Asia", *European Business Review,* 99**,** 91.

Alexander, N. and Myers, H. (2000) "The retail internationalisation process", *International Marketing Review,* 17**,** 334.

Alexander, N. and Quinn, B. (2002) "International retail divestment", *International Journal of Retail & Distribution Management,* 30**,** 112.

AmericaEconomia (2007a) "*Las Mayores Empresas de America Latina*", *Series***,** 116-135.

AmericaEconomia (2007b) "*Los 250 Mayores Bancos de America Latina*", *Series***,** 27-34.

Arnold, D. J. and Quelch, J. A. (1998) "New Strategies in Emerging Markets", *Sloan Management Review,* 40**,** 7.

Arnold, S. J. (2002) "Lessons learned from the world's best retailers", *International Journal of Retail & Distribution Management,* 30**,** 562.

Aulakh, P. S., Kotabe, M. and Teegen, H. (2000) "Export strategies and performance of firms from emerging economies: Evidence from Brazil, Chile, and Mexico", *Academy of Management Journal,* 43**,** 342-361.

Aybar, B. and Thirunavukkarasu, A. (2005) "Emerging Market Multinationals: An Analysis of Performance and Risk Characteristics", *Journal of Asia - Pacific Business,* 6**,** 5.

Barkema, H. G., Bell, J. H. and Pennings, J. M. (1996) "Foreign Entry, Cultural Barriers and Learning", *Strategic Management Journal,* 17**,** 151-166.

Barney, J. (1991) "Firm Resources and Sustained Competitive Advantage", *Journal of Management,* 17**,** 99-120.

Bianchi, C. and Mena, J. (2004) "Defending the local market against foreign competitors: the example of Chilean retailers", *International Journal of Retail & Distribution Management,* 32**,** 495.

Bianchi, C. and Ostale, E. (2006a) "Chilean Retailers: A Unique Model in Latin America", *Strategic Challenges in the New Millennium,* XI**,** 25-30.

Bianchi, C. C. and Arnold, S. J. (2004) "An Institutional Perspective on Retail Internationalization Success: Home Depot in Chile", *The International Review of Retail, Distribution and Consumer Research,* 14**,** 149.

Bianchi, C. C. and Ostale, E. (2006b) "Lessons learned from unsuccessful internationalization attempts: Examples of multinational retailers in Chile", *Journal of Business Research,* 59**,** 140-147.

Blois, K., Mandhachitara, R. and Smith, T. (2001) "Retailing in Bangkok: An intriguing example of agglomeration", *International Journal of Retail & Distribution Management,* 29**,** 472.

Bonaglia, F., Goldstein, A. and Mathews, J. A. (2007) "Accelerated internationalization by emerging markets' multinationals: The case of the white goods sector", *Journal of World Business,* 42**,** 369.

Burgess, S. M. and Steenkamp, J.-B. E. M. (2006) "Marketing renaissance: How research in emerging markets advances marketing science and practice", *International Journal of Research in Marketing,* 23**,** 337-356.
Burt, S. L., Mellahi, K., Jackson, T. P. and Sparks, L. (2002) "Retail internationalization and retail failure: issues from the case of Marks and Spencer." *International Review of Retail, Distribution & Consumer Research,* 12**,** 191-219.
Clarke, I. and Rimmer, P. (1997) "The anatomy of retail internationalisation: Daimaru's decision to invest in Melbourne, Australia", *The Service Industries Journal,* 17**,** 361.
da Rocha, A. and Dib, L. A. (2002) "The entry of Wal-Mart in Brazil and the competitive responses of multinational and domestic firms." *International Journal of Retail & Distribution Management,* 30**,** 61.
Davies, G. and Sanghavi, N. (1995)*, "Market Innovation and Internationalization: The Success of Toys 'R' Us*", Pitman Publishing, London.
Dawar, N. and Frost, T. (1999) "Competing with giants: Survival strategies for local companies in emerging markets", *Harvard Business Review,* 77**,** 119.
Dawson, J. A. (1994) "Internationalization of Retailing Operations." *Journal of Marketing Management,* 10**,** 267-282.
Del Sol, P. and Kogan, J. (2007) "Regional competitive advantage based on pioneering economic reforms: the case of Chilean FDI", *Journal of International Business Studies,* 38**,** 901.
Deloitte (2008) "*Global powers of Global Retailing*", *Series***,** http://www.deloitte.com/dtt/cda/doc/content/dtt_globalpowersretailing.pdf.
Dupuis, M. and Prime, N. (1996) "Business distance and global retailing: a model for analysis of key success/failure factors", *International Journal of Retail & Distribution Management,* 24**,** 30.
Eckhardt, G. M. (2005) "Local Branding in a Foreign Product Category in an Emerging Market", *Journal of International Marketing,* 13**,** 57-79.
Elango, B. and Pattnaik, C. (2007) "Building capabilities for international operations through networks: a study of Indian firms", *Journal of International Business Studies,* 38**,** 541.
Euromoney (2007) "*The Best Managed Companies in Latin America*", *Series*.
Evans, J. and Mavondo, F. T. (2002) "Psychic distance and organizational performance: An empirical examination of international retailing operations", *Journal of International Business Studies,* 33**,** 515.
Fahy, J., Hooley, G., Cox, T., Beracs, J., Fonfara, K. and Snoj, B. (2005) "The Development and Impact of Marketing Capabilities in Central Europe", *Journal of International Business Studies,* 31**,** 63-81.
Fernie, J. and Arnold, S. J. (2002) "Wal-Mart in Europe: Prospects for Germany, the UK and France", *International Journal of Retail & Distribution Management,* 30**,** 92.
Forbes (2007) "*The World's 2,000 Largest Public Companies*", *Series*.
Frost, T. S. and Zhou, C. (2005) "R&D co-practice and 'reverse' knowledge integration in multinational firms", *Journal of International Business Studies,* 36**,** 676.
Gerhard, U. and Hahn, B. (2005) "Wal-Mart and Aldi: Two Retail Giants in Germany", *GeoJournal,* 62**,** 15.
Gielens, K. and Dekimpe, M. G. (2007) "The Entry Strategy of Retail Firms into Transition Economies", *Journal of Marketing,* 71**,** 196.

Golder, P. N. (2000) "Historical method in Marketing Research with new Evidence on Long Term Market Share Stability", *Journal of Marketing Research,* 37**,** 156-172.
Goldman, A. (2000) "Supermarkets in China: the case of Shanghai." *International Review of Retail, Distribution & Consumer Research,* 10**,** 1-21.
Guillen, M. F. (2000) "Business groups in emerging economies: A resource-based view", *Academy of Management Journal,* 43**,** 362.
Hennan, D. A. and Keegan, W. J. (1979) "The Rise of Third World Multinationals", *Harvard Business Review,* 57**,** 101-109.
Hoskisson, R. E., Eden, L., Lau, C. M. and Wright, M. (2000) "Strategy in emerging economies", *Academy of Management Journal,* 43**,** 249-267.
Hutchinson, K., Quinn, B. and Alexander, N. (2006) "The Internationalisation of Small to Medium-Sized Retail Companies: Towards A Conceptual Framework", *Journal of Marketing Management,* 21**,** 1.
Khanna, T. and Palepu, K. (1997) "Why focused strategies may be wrong for emerging markets", *Harvard Business Review,* 75**,** 41-51.
Khanna, T. and Palepu, K. (2006) "Emerging Giants: Building World-Class Companies in Developing Countries", *Harvard Business Review,* 84**,** 60-69.
Kim, D., Kandemir, D. and Cavusgil, S. T. (2004) "The Role of Family Conglomerates in Emerging Markets: What Western Companies Should Know", *Thunderbird International Business Review,* 46**,** 13.
Lall, S. (1983), *"The New Multinationals: The Spread of Third World Enterprises*", Wiley, New York.
Larke, R. (2004) "Expansion of Japanese Retailers Overseas", *Journal of Global Marketing,* 18**,** 99.
Laulajainen, R. (1991) "Two retailers go global--the geographical dimension." *International Review of Retail, Distribution & Consumer Research,* 1**,** 607.
Lee, C. and Beamish, P. W. (1995) "The characteristics and performance of Korean joint ventures in LDCs", *Journal of International Business Studies,* 26**,** 637.
London, T. and Hart, S. L. (2004) "Reinventing strategies for emerging markets: beyond the transnational model", *Journal of International Business Studies,* 35**,** 350.
Luo, Y. (2000) "Dynamic capabilities in international expansion", *Journal of World Business,* 35**,** 355-378.
Maharajh, L. and Heitmeyer, J. (2005) "Factors that impact United States retailers' expansion into the international marketplace", *Journal of Fashion Marketing and Management,* 9**,** 144.
McCracken, G. (1988), *"The Long Interview*", Sage Publications, N.Y.
McDonald, H., Darbyshire, P. and Jevons, C. (2000) "Shop often, buy little: The Vietnamese reaction to supermarket retailing", *Journal of Global Marketing,* 13**,** 53.
McGurr, P. T. (2002) "The largest retail firms: A comparison of Asia-, Europe- and US-based retailers", *International Journal of Retail & Distribution Management,* 30**,** 145.
Meyer-Ohle, H. (2007) "Wal-Mart's entry into Japan as discussed in three domestic trade journals", *The International Review of Retail, Distribution and Consumer Research,* 17**,** 23.
O'Grady, S. and Lane, H. W. (1997) "Culture: an unnoticed barrier to Canadian retail performance in the USA", *Journal of Retailing and Consumer Services,* 4**,** 159-170.

Palmer, M. and Quinn, B. (2005) "An Exploratory Framework for Analysing International Retail Learning", *The International Review of Retail, Distribution and Consumer Research,* 15**,** 27.
Palmer, M. and Quinn, B. (2007) "The nature of international retail divestment: insights from Ahold", *International Marketing Review,* 24**,** 26.
Perry, C. (1998) "Processes of a Case Study Methodology for Post Graduate Research in Marketing", *European Journal of Marketing,* 32**,** 785.
Picot-Coupey, K. (2006) "Determinants of international retail operation mode choice: Towards a conceptual framework based on evidence from French specialised retail chains", *The International Review of Retail, Distribution and Consumer Research,* 16**,** 215.
Salmon, W. J. and Tordjman, A. (1989) "The Internationalisation of Retailing", *International Journal of Retailing,* 4**,** 3.
Sinha, J. (2005) "Global champions from emerging markets", *The McKinsey Quarterly***,** 26.
Sparks, L. (2000) "Seven-Eleven Japan and The Southland Corporation: a marriage of convenience?" *International Marketing Review,* 17**,** 401.
Spiggle, S. (1994) "Analysis and Interpretation of Qualitative Data in Consumer Research", *Journal of Consumer Research,* 21**,** 491-503.
Sternquist, B. (1997) "International expansion of US retailers", *International Journal of Retail & Distribution Management,* 25**,** 262.
Sullivan, R. (2007) "Latin America finds new rhythm" Financial Times**,** Nov 5, 2007**,** 3.
Treadgold, A. (1991) "Dixons and Laura Ashley: Different Routes to International Growth", *International Journal of Retail & Distribution Management,* 19**,** 13.
UNCTAD, U. N. C. o. T. a. D. (2003) "*World Investment Report*", *Series*.
Vargas, M. (2008) "Chile Retailer Falabella 2007 Net Up 2.5 Percent" Reuters UK**,** Friday Feb. 29.
Vernon-Wortzel, H. and Wortzel, L. H. (1988) "Globalizing Strategies for Multinationals from Developing Countries", *Columbia Journal of World Business,* 23**,** 27-35.
Vida, I. and Fairhurst, A. (1998) "International expansion of retail firms: A theoretical approach for future investigations", *Journal of Retailing and Consumer Services,* 5**,** 143-151.
Vida, I., Reardon, J. and Fairhurst, A. (2000) "Determinants of international retail involvement: The case of large U.S. retail chains", *Journal of International Marketing,* 8**,** 37.
WallStreetJournal (2007) "SACI Falabella: Planned Deal to Acquire D&S Will Create Latin Retail Giant" Wall Street Journal**,** May 18, 2007.
Walters, P. G. P. and Samiee, S. (2003) "Marketing Strategy in Emerging Markets: The Case of China", *Journal of International Marketing,* 11**,** 97-106.
Wan, W. P. and Hoskisson, R. E. (2003) "Home country environments, corporate diversification strategies, and firm performance", *Academy of Management Journal,* 46**,** 27.
Welsh, D., H.B., Alon, I. and Falbe, C. M. (2006) "An Examination of International Retail Franchasing in Emerging Markets", *Journal of Small Business Management,,* 44**,** 130-149.
Wright, M., Filatotchev, I., Hoskisson, R. E. and Peng, M. W. (2005) "Guest Editors' Introduction: Strategy Research in Emerging Economies: Challenging the Conventional Wisdom", *The Journal of Management Studies,* 42**,** 1-33.

Yaprak, A., Karademir, B. and Osborn, R. N. (2006) "How do Business Groups Function and Evolve in Emerging Markets? The Case of Turkish Business Groups", *Advances in International Marketing,* 17**,** 275-294.
Yin, R. K. (1994), *"Case Study Research: Design and Methods*", Sage Publications, Thousand Oaks, CA.
Yiu, D., Bruton, G. D. and Lu, Y. (2005) "Understanding Business Group Performance in an Emerging Economy: Acquiring Resources and Capabilities in Order to Prosper", *The Journal of Management Studies,* 42**,** 183.
Yiu, D. W., Lau, C. and Bruton, G. D. (2007a) "International venturing by emerging economy firms: the effects of firm capabilities, home country networks, and corporate entrepreneurship", *Journal of International Business Studies,* 38**,** 519.
Yiu, D. W., Lu, Y., Bruton, G. D. and Hoskisson, R. E. (2007b) "Business Groups: An Integrated Model to Focus Future Research", *The Journal of Management Studies,* 44**,** 1551.
Zhang, Y., Zhang, Z. and Liu, Z. (2007) "Choice of entry modes in sequential FDI in an emerging economy", *Management Decision,* 45**,** 749.
Zhu, H., Hitt, M. A. and Tihanyi, L. (2006) "The Internationalization of SMEs in Emerging Economies: Institutional Embeddeddness and Absorptive Capacities", *Journal of Small Business Strategy,* 17**,** 1.

Table 1: Profile of Falabella Respondents

Number of Interviews	Respondents	Market
3	Department Store Managers	Chile
3	Home Improvement Managers	Chile
3	Grocery Store Managers	Chile
3	Corporate Development	Chile
3	Country Managers	Peru, Argentina, Colombia
2	Travel Services Managers	Chile
2	Insurance Services Managers	Chile
2	Financial Services Managers	Chile
3	Executives	Chile
2	Executives	Colombia
2	Executives	Argentina
2	Executives	Peru
2	Directors	Chile

Table 2: Falabella's International Market Information

	Chile	Argentina	Peru	Colombia
Department Stores (#)	37	8	14	3
H. Improvement Stores (#)	62	0	7	15
Grocery Stores (#)	21	0	8	0
CMR Accounts (#)	2,7000.000	604.000	1,100.000	310.000
Employees (#)	39,000	3,000	11,000	5,000
Sales Surface (m2)	783,356	42,295	187,387	184,072
Financial Retail Outlets (#)	276	20	66	38

Source: Falabella Annual report ***www.falabella.com***

Table 3: Relevant Quotes

Home Country Networks	"We have come a long way since 1889 when Salvatore Falabella inaugurated the first large tailor's shop in Chile. All of us at Falabella thank our shareholders, suppliers, customers, directors, management, as well as our collaborators and the business community for their contributions in making Falabella regional leader' (Chairman at the annual dinner of the Chamber of Commerce). "The leadership of Falabella and its brand recognition is based in the ability of synchronising a very good purchase experience, service quality, and adaptation to the needs of customers, but most of all, on the excellent relationship with the business community and the high reputation of the Solari family" (Retail Expert).
Innovation Orientation	"Falabella has been able to grow so much because every day it reinvents itself. Today it is very difficult to differentiate department stores, because they all copy each other, and they are all very similar. At Falabella we renovate continuously across all of our markets, to differentiate ourselves" (Planning and Development Manager, Falabella). "We are always innovating to surprise our customers" (CEO, CMR Chile). "Along with permanent innovation, Falabella has consistency in its goal of serving consumer and quality and trustworthiness are pillars of its development in every market" (Director).
Organisational Learning	"In Argentina we didn't have the local knowledge and we had lots of trouble trying to understand local tastes. We made mistakes with the product and service assortment. Women didn't like the style of our jeans. We also made mistakes in other things like the size of our beds, style of running shoes. Additionally consumers were not used to shop at department stores. They valued exclusivity and preferred to shop at boutiques or specialty stores. So, in Argentina we had to change the marketing strategy, and therefore we were prepared for Colombia" (Argentina Country Manager). "Falabella has an integrated business model that allows achieving synergies, but not only with regards to purchasing volumes, but also regarding the consumer. Falabella can offer the same credit card in all its retail businesses. This information feeds the same databases, so the company can learn about their consumer really well" (Marketing Manager).
Marketing Knowledge	"A significant portion of our sales come from imports from Brazil, Pakistan, and China. However, we have realised that there is a group of products that necessarily have to be locally developed to suit every market" (Logistic Chain Manager). "We are taking all of our retail international experience and adapting

it to the Bogota market. This is a country within a country, where every province is different, so this implies that consumers can differ in every city" (Colombia Country Manager).

"We are going to adapt our structure until the storm is over. The idea is to adapt the format to the needs and purchasing power of local consumers" (Argentina Country Manager).

"We have integrated retail model. Not only department stores, and credit card, but also home improvement, grocery, services, and properties. This is our business model that allows us to achieve synergies. When international competitors come, and they come with their large world-wide scales to open stores in Latin America, it is very difficult for them to transfer these synergies form their home countries since their merchandise perhaps is not so appealing to local consumers" (Logistics Manager) .

Entry Mode / Networks

"I think that the main mistake of Falabella in Argentina was not partnering with a local company. For example, in Peru, we entered two years later than Argentina, through an acquisition of a local retailer SAGA, owned by the Roca family. From the first year we earned profits and this marriage worked well. This was because SAGA was an organisation that had experience and knowledge of the Peruvian department store market" (Peru Country Manager).

"Partnering with Falabella has been a wonderful experience. We get along very well. We have common objectives, and we have grown in a very satisfactory way. We have developed new business in Peru together, such as Sodimac, and Tottus, and we have always been treated like a real partner by Falabella (Local Partner in Peru).

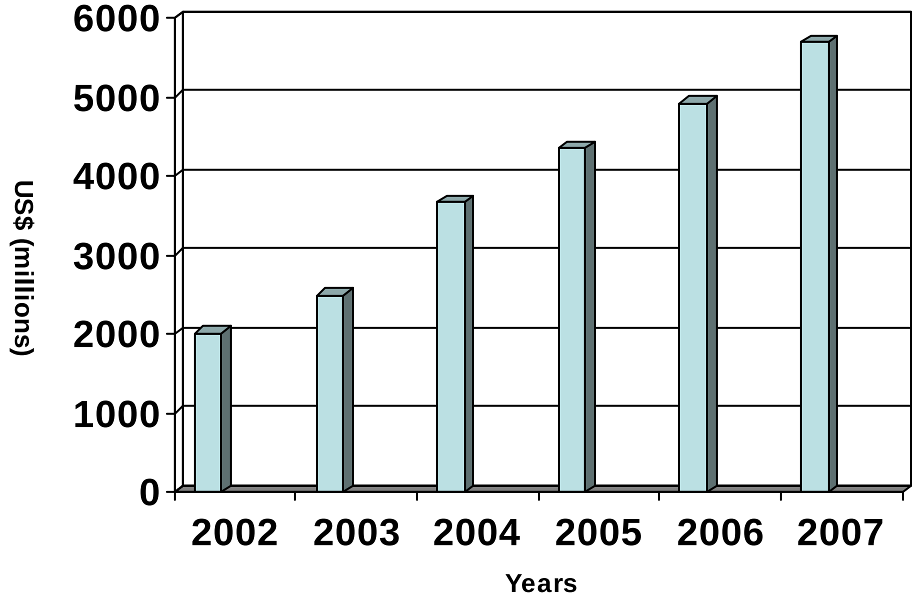
Management Team

"The engine behind this accelerated development is a small group of highly qualified professionals, integrated around a simple and effective information model" (CEO Insurance).

"We have a matrix organisational structure. So the corporate manager of department stores directly talks with the department store manager in Peru, Argentina and Colombia. Thus the best practices of department store retailing are shared among all the people that belong to that business. For example, they analyse the same suppliers and share the same purchasing best practices through permanent communication" (Corporate CEO).

"In every market, there is a country manager from Chile, who is in charge of all the other business units in the country. The rest of the management team is local. The main job of these country managers is to develop all potential projects and to achieve synergy among all businesses because this is the essence of our integrated business model. Country managers talk and learn from each other on a daily basis" (Planning and Development Manager).

Figure 1: Falabella's Sales Growth (2002-2007)



Source: Falabella Annual Report [***www.falabella.com***](http://www.falabella.com)