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Retailer internationalization: overcoming barriers to expansion

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This paper develops an understanding of the barriers to retailer foreign market expansion focusing on SME retail firms. A qualitative methodology was adopted to obtain a holistic understanding of the key barriers to international expansion experienced by retailers from both the firm and industry-level perspectives. In light of the findings from the case companies and industry organizations in this study, the paper concludes that the main barriers to foreign market expansion experienced by SME UK retailers, both at the entry and growth stages, comprise internal and external factors. This paper not only provides an understanding of the barriers encountered by SME retailers but also considers how such problems may be overcome.

Keywords: retailer internationalization; barriers; SME retailers; case study research

Introduction

Within retail literature, the barriers to international retailing have been given varying levels of attention over the past four decades (Hollander 1970; Salmon and Tordjman 1989; Williams 1992a; Burt and Sparks 2002; Moore, Birtwistle, and Burt 2004). As previous studies have focused in the main upon large retailer activities and processes (Alexander 1990; Williams 1992a), knowledge on the activities of SME retailers is very limited. Only the recent work by Hutchinson, Quinn, and Alexander (2006) and Hutchinson et al. (2007) and Foscht, Swoboda, and Morschett (2006) has provided insights in the nature and processes of internationalization exhibited by these firms. This paper seeks to address this gap by developing an understanding of the types of barriers that inhibit the internationalization of SME retailers at the market entry and growth stages of foreign market expansion. In addition, this paper will consider how SME retailers can overcome barriers to expansion during the process of internationalization.

In the broader-based SME international literature, it has been stated that the most widely investigated topic are the barriers to exporting (Bell 1997). This body of research has provided insights into the internal and external barriers that inhibit expansion at different stages of the internationalization process relating to market entry and growth. While SME internationalization research has predominantly concentrated on the activities of manufacturing companies and, to a lesser extent, the

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service sector (O'Farrell, Wood, and Zheng 1998), there has been no specific study focusing on the retail industry. The increasingly international behaviour exhibited by smaller retailers (Alexander and Quinn 2001) highlights the need to address the particular context of smaller retailers and the barriers that may prevent or strongly inhibit such companies from operating successfully in overseas markets. Furthermore, given the differences between the organizational structure and management of firms in manufacturing and retailing (Dawson 1994; Helfferich, Hinfelaar, and Kaspar 1997), the retailing context of this study meets the call for research to explore SME international activity on an 'industry-by-industry' basis (Calof 1993; Antoncic and Hisrich 2000).

Findings are presented from a qualitative study of UK SME retailers with international operations and business support organizations in the industry. Given that the intention of this study was to explore a new area of research, a multiple case approach was deemed most appropriate (Eisenhardt 1989; Strauss and Corbin 1994; Yin 2003; Collis and Hussey 2003). A qualitative approach is in line with recent methodological approaches taken in the SME international literature (Ibeh, Ebrahim, and Panayides. 2006; Mort and Weerawardena 2006; Winch and Bianchi 2006) and international retailing research studies that have examined under-researched issues (Doherty and Alexander 2006; Evans et al. 2008; Wigley and Chiang 2009; Bianchi 2009).

The structure of this paper is as follows. The literatures on international retailing and SME internationalization are reviewed, with particular reference to studies on barriers to internationalization. Following this, the qualitative methodology employed in this study is explained. Thereafter, the key findings from the case company and industry evidence are presented and then subsequently discussed in relation to the extant literature. In the closing section, the key conclusions and future research recommendations are outlined.

Review of the literature

International retailing studies

Early studies in the retail literature identified the issue of firm size as a key barrier to internationalization, maintaining that smaller retailers more often have neither the financial capacity nor the managerial culture necessary for international expansion (Salmon and Tordjman 1989). While recent research by Hutchinson, Quinn, and Alexander (2006) and Hutchinson et al. (2007) have dispelled the myth that international expansion is a strategy exclusively pursued by large multinational retailers, the literature points out that the process of moving from a domestic operation to an international operation is a long drawn out one (Alexander and Doherty 2009), characterised by organisational change and increased exposure to risk (Palmer and Quinn 2001). Studies to date, in the identification of the barriers to retailer internationalization (Salmon and Tordjman 1989; Muniz-Martinez 1998; Burt and Sparks 2002; Evans et al. 2008) and the reasons for international retail divestment (Alexander and Quinn 2002; Burt, Dawson, and Sparks 2003; Cairns, Alexander, and Quinn 2005; Etgar and Rachman-Moore 2007), underline the fact that 'retailing across borders is far from easy' (Williams 1992b, 9).

From the early work of Hollander (1970) to the more recent research by Evans et al. (2008), the literature has recognized that a combination of factors, both external and internal to the firm, pose significant barriers to retailer

internationalization. This has been categorized by Evans et al. (2008) into two further groups: (1) barriers that impede the initiation of foreign expansion (more often internal); and (2) barriers to the internationalization process (typically found in the external environment).

First, in terms of external barriers to retailer internationalization, the literature has identified government regulation, economic and political instability, cultural differences, exchange rate fluctuations and distribution difficulties as key factors (Evans et al. 2008). Early research in the US highlighted, in particular, factors in the retailer's wider operating environment as formidable barriers to internationalization (Waldman 1978). This was echoed in a study by Alexander (1990) which found that different consumer tastes, site acquisition, recruitment and staffing, language and different competitive conditions as the most important reasons inhibiting UK operations from expansion in other European markets. More recently, the study of international retail divestment and failure has identified external barriers relating to difficulties in both the foreign and domestic market as barriers to international growth (see for instance Alexander and Quinn 2002; Burt, Dawson, and Sparks 2003).

Second, the literature has documented internal barriers which relate to a lack of resources, management's attitude to foreign expansion, perception of risk and insufficient knowledge of foreign conditions and markets (Salmon and Tordjman 1989). The work of Alexander (1995) suggested that the very longevity of retail experience in the domestic market may even hinder internationalization, in that well-established retailers who have achieved institutional status in their domestic market often fail to convey the same image and distinctive qualities to consumers overseas when they transfer that operation to a new market. For instance, retail formulae may be viewed as 'culture bound' (Dressman 1980), which means that barriers may result from a 'lack of fit' between foreign customer acceptance and the exported retail formula. More recently, research by Moore, Birtwistle, and Burt (2004, 749) highlighted the 'tensions and conflicts which stem from the exercise of power within relationships in international retailing'.

It has been argued that the impact of the barriers to retailer internationalization may be preventable with sound management practices and lessened by an internationally appealing and innovative retail offer (Williams 1992b). Critical management factors have been confirmed in the international retailing literature as important conditions for growth in foreign markets (Hollander 1970; Vida and Fairhurst 1998; Alexander and Myers 2000; Moore, Birtwistle, and Burt 2004). Because managerial perceptions guide decision-making, Vida, Reardon, and Fairhurst (2000) contend that decisions for growth in non-domestic markets will not be made unless management exhibits positive views with respect to international opportunities and barriers associated with international expansion. This supports the work of Williams (1992a) who found that obstacles, if perceived as surmountable by management, will allow smaller retailers to pursue growth-orientated and proactive motives in foreign markets. As Burt and Mavrommatis (2006, 398) have noted 'an original concept or a unique and distinctive retail product, is the source of competitive advantage for global retailers'. A strong brand identity is closely associated with international specialty retailers in the fashion sector (Moore, Fernie, and Burt 2000; Bridson and Evans 2004; Wigley, Moore, and Birtwistle 2005) and luxury market (Fernie et al. 1997; Laulajainen 1991; Moore and Birtwistle 2005).

Previous studies have noted that the key driver for international expansion exhibited by smaller retailers in particular is a niche strategy and brand recognition

which focuses on a narrow group of products, clearly defined market sector, or specific customer segment (Pellegrini 1994; Tordjman 1994; Simpson and Thorpe 1996; Michmann and Mazze 2001; Foscht, Swoboda, and Morschett 2006). This makes it easier to adjust to local tastes across foreign markets (Feigenbaum 1993; Lipow 2002). While the company brand identity represents a crucial antecedent for international expansion for retailers of all sizes, recent research by Hutchinson et al. (2007) found that international growth for smaller specialist retailers is also dependent upon internal and external facilitating factors. Internal facilitating factors included a global vision/mindset, entrepreneurial personality and the informal/personal relationships formed in foreign markets, while external factors included business contacts in foreign markets and government/consultancy assistance and support.

International SME studies

It has been highlighted by Bell (1997) that the most widely investigated topic in the export literature is the barriers to exporting. Internationalization, by its very nature, involves a high degree of risk and SMEs, by their very nature, have more limited resources to cope with the downside of foreign expansion (Buckley 1989). It is argued that the barriers to entry that limit international expansion (such as lack of capital, management time and information) are systematically higher for smaller firms than for larger firms (Acs et al. 1997; O'Farrell, Wood, and Zheng 1998). Although SMEs may face similar challenges to those faced by larger companies, they have to meet barriers to internationalization with fewer resources (McAuley 2001).

Barriers to internationalization have been categorised as internal and external to the firm. In terms of the internal barriers to internationalization, two main theoretical perspectives on firm resources have been proposed in the broader business literature: resource-based view (RBV) and dynamic capabilities. At the heart of the RBV are those physical, human and organizational assets that can be used to implement value-creating strategies (Barney 1986; Wernerfelt 1984). Dynamic capabilities, on the other hand, are the antecedent organizational and strategic routines by which managers alter their resource base to achieve congruence with the changing business environment (Teece, Pisano, and Shuen 1997). It has been found that variations in such resource capabilities (static or dynamic, positive or negative) influence the propensity, method and mode of foreign market entry (Morgan and Katsikeas 1997).

Building on the work of Albaum et al. (1994), Morgan and Katsikeas (1997) have identified four main sets of internal obstacles that explain why the owners of domestic firms are discouraged from exporting: strategic obstacles, operational obstacles, informational obstacles, and process-based obstacles. Firstly, the owners of small firms need to address several strategic barriers that arise from an insufficient pool of resources (Morgan and Katsikeas 1997). Small firms may have no inclination to grow, no appropriate expertise or lack the awareness of how to facilitate growth (O'Farrell and Hitchens 1988). Secondly, a firm's cost base and profit margins can lead to operational and logistical barriers (Morgan and Katsikeas 1997). As a result of weak financing and the subsequent need for quick return on investment, SMEs generally have a limited range of entry modes to choose from and limited capacity from which international activities can be undertaken (Papadopoulos 1987). Thirdly, informational barriers to international expansion may arise, as owners of small firms may not have the resources, business skills or personnel to assemble and interpret

information, and to maintain necessary interactions with key parties, which then results in process-based obstacles (Morgan and Katsikeas 1997).

Fillis (2001) found that external barriers to internationalization may emanate from either the domestic market (e.g. poor government assistance) or from the overseas market (e.g. the impact of increased competition/currency fluctuations). It has been found that the most important barriers relate to economic distance, such as language and cultural differences and administrative and legal difficulties (Rundh 2001). According to Knight and Liesch (2002), the resource-poor SME is less able to sustain competitive threats and unfavourable macro-events in their external environments.

The export literature has noted that the barriers preventing small firms from internationalizing are diminishing and can be more easily overcome (Miesenbock 1988; Aaby and Slater 1989; Barkema, Bell, and Pennings 1996). From the work of Leonidou (1995) and Ibeh (2000), it is argued that factors both internal and external to the firm may enable SMEs to overcome barriers to foreign market expansion. These include product differentiation, decision-maker characteristics and networking activity.

Product differentiation and niche market opportunities, defined as 'firm-specific characteristics and capabilities that make a firm superior to local competitors' (Hollenstein 2005, 438), can enable smaller firms to expand into a new foreign market despite resource limitations (Gomes-Casseres 1997; Almeida, Sapienza, and Hay 2000; Chetty and Campbell-Hunt 2003). More recently, e-commerce has been identified as an enabler of SME internationalization presenting these firms with a route to market whereby barriers relating to financial and organizational risk are overcome (Mostafa, Wheeler, and Jones 2005; Fosch, Swoboda, and Morschett 2006).

The significant role of the founder or entrepreneur in influencing the process of expansion and overcoming barriers to internationalization has been well documented (e.g. Miesenbock 1988; Bell, Crick, and Young 2004; Crick, Bradshaw, and Chaudry 2006). In particular, studies have pointed to decision-maker and management characteristics relating to competence, international orientation, and global mindset (Calof and Beamish 1995; Fillis 2001; Nummela, Saarenketo, and Puumalainen 2004).

The social and business networks formed by the decision-maker can facilitate the foreign expansion process (Zain and Imm 2006). Strategic networking, for example, can overcome internal resource deficiencies (Westhead, Wright, and Ucbasaran 2001), yielding access to knowledge and experience absent within the firm (Rutashobya and Jaensson 2004) providing the SME with both the opportunity and capability to internationalize. Networking activity may range from friendship and family links offshore to contacts with business and government organisations (Coviello, Ghauri, and Martin 1998; Apfelthaler 2000). International trade fairs, hiring new managerial talent experienced in international business and communicating with experts outside the firm have been specifically highlighted by Holmund and Kock (1998) and Terziovski (2003) as a means of bridging any gaps in knowledge within the firm.

Methodology

Qualitative research design

As the field of international retailing has evolved, there has been an increasing call for (Brown and Burt 1992; Sparks 1995), and recognition of the value of, in-depth qualitative techniques (Evans et al. 2008), in particular, the case study method based

on qualitative, primary sources (Moore, Birtwistle, and Burt 2004; Doherty and Alexander 2006; Picot-Coupey 2006; Wigley and Chiang 2009; Bianchi 2009). Such an approach is also in line with recent studies emerging from the SME international literature (Hollenstein 2005; Ibeh, Ebrahim, and Panayides 2006; Mort and Weerawardena 2006; Winch and Bianchi 2006).

Exploratory case studies based on primary data are deemed appropriate where the existing knowledge base is poor (Yin 2003) and where it is anticipated that the inductive process of data generation involved in such a method provides greater understanding and a thicker description of process and meaning (Janesick 1998; Doherty and Alexander 2004). Such an approach is deemed appropriate here given the paucity of research on the barriers to internationalization encountered by smaller retailers. Therefore, the study is exploratory in nature and framed within an interpretive research paradigm, employing qualitative techniques and a case study design. As the multiple case research methodology is deemed more robust than a single case study (Yin 2003), the potential benefits of data richness, depth and quality, compensates for the associated shortcomings of limited representativeness and generalizability (Ibeh, Ebrahim, and Panayides 2006).

Selection of companies and industry organizations

There is a lack of universal agreement on how SMEs are defined in the literature; however, according to McAuley (2001), there is more consensus as to their key characteristics. Given this, the case companies in this study were selected primarily in terms of key characteristics in comparison to large multinational retailers, i.e. less well-known retailers with a small share of the market, and limited retail operations in domestic and international markets. Cases were then selected by a purposeful sampling design, which allowed for the selection of 'information-rich' cases (Patton 2002) for the detailed study of SME activity in different retail sectors and various stages in the process of internationalization. Initial investigation was conducted using the Retail Rankings Directory (2001) and the Internet, which provided information on the management structure, market activity in the UK, and international activities of 18 potential companies relevant for this research. It was evident at this stage that all retailers in the sample displayed a distinct specialist format operating in the middle and luxury markets. Moreover, all these retail firms originated in the UK-market with the Head Office being located in the UK; operated in at least one international market outside the UK; and had sales turnover less than £24 million (European Commission 2000). From this initial sample, nine companies agreed to participate in the study (in line with recommendations by Lincoln and Guba 1985; and Eisenhardt 1989).

The importance of SME internationalization from the perspective of policy-makers and government organizations has been highlighted in the literature (see for example Fischer and Reuber 2003; Spence and Crick 2003; Terzioski, 2003). As the potential of multi-perspective analysis has been identified in the literature as an important element within case research (Tellis 1997; Lewis and Minchev 2001), and advocated its use within the retail internationalization literature (Palmer and Quinn 2001), this study has included the data collected from business support organizations operating in the UK. In selecting the appropriate industry organizations for participation in this study, it was found that no organization exists in the UK that specifically assists smaller retailers in their internationalization. Therefore, business

support organizations were approached based on the relevance of their services to the types of case companies under study. It is argued that the established status and profile of these organizations in a broader context validates their perspective of the barriers to retailer expansion. Although an initial examination of industry experts in these areas revealed eleven such organizations in the UK, a total of eight business support firms comprising of government and consultancy organizations agreed to fully participate in the study.

Data collection

The overall aim of the study was to explore the barriers to retail internationalization and how SME retailers can overcome these barriers. In light of the literature presented, several research questions were posed to guide the collection of data from both case companies and industry organizations (as recommended by Eisenhardt 1989; and Gillham 2000):

- RQ1: What are the barriers that impede (but not necessarily prevent) international retail activity by SME retail firms?
- RQ2: What are the internal and/or external barriers to internationalization encountered by smaller retailers at market entry and the growth stage of foreign expansion?
- RQ3: What are the factors that enable SME retailers to overcome barriers to internationalization?

Two fundamental aspects of case study research were employed in the collection of data from the nine case companies in this study: interviews (with senior personnel responsible for the international decision-making process in their respective companies – see Table 1 for more details) and company documentation (company histories, press releases, advertising and marketing material, and product market strategies). Qualitative ‘open-ended’ semi-structured interviews (Gillham 2000) were conducted with ‘elite informants’ (i.e. personnel with senior positions) in the case companies. The research questions identified several common components that needed to be addressed to fulfil the aims and objectives of this study, but the open-ended style of interview permitted the respondent to describe what was meaningful and salient in the internationalization process of the company without being pigeonholed into standardised categories (Patton 2002). The duration of each interview extended to 90 minutes and in most cases two sets of interviews were conducted with the company respondent. The interviews with government and consultancy organizations were carried out concurrently with the case company research which included one interview per organization but in some cases with multiple respondents.

Data analysis

The qualitative analysis of data followed an inductive process, observing the recommendations of both Morse (1994) and Lindlof (1995). To analyze interview transcriptions, content analysis was implemented involving the searching of text for recurring words, themes or core meanings (Patton 2002). Throughout the duration of the study analysis of the data went hand in hand with data collection, to allow for

Table 1. Domestic and international profile of cases.

Case	Retail Sector	No. of UK Stores	Age (years)	No. of Markets	Ownership	Position of Interviewee
A	Clothing & Accessories	20	150	29	Parent company	International Sales Director
B	Clothing & Accessories	10	36	21	Parent company	Market Manager
C	Beauty & Cosmetics	34	36	29	Parent company	International Sales Director
D	Beauty & Cosmetics	22	21	17	Private company	International Manager
E	Beauty & Cosmetics	14	135	10	Parent company	Wholesale Operations Manager
F	Jewellery & Gifts	4	25	2	Private company	International Director
G	Jewellery & Gifts	16	11	10	Private company	Chairman
H	Clothing & Accessories/ Sports & Leisure	3	166	2	Parent company	International Director
I	Clothing & Accessories	32	47	3	Private company	Managing Director

Source: Company interviews and documentation collected in 2003.

the emergence of important themes and patterns (Taylor and Bogdan 1984). The use of multiple data methods (interviews and documentation) verified the consistency of information collected on the companies (Patton 2002). This allowed for the early analysis of themes, reflecting a triangulated approach where the theory was continually supported (or contradicted) by evidence from different groups (Hartley 1994, 2004).

The paper now presents the findings from the nine case studies and the industry organizations. The retail case companies have been coded according to alphabetical letters (i.e. A to I) to preserve confidentiality. The background profiles of each case company are provided firstly before an analysis of the findings is presented. The industry organizations have also been coded accordingly and are identified as Government 1, 2, 3, 4 and Consultancy 1, 2, 3, 4. Direct quotes from informants are used to facilitate the analysis, and to illustrate the phenomenon under investigation (Coviello, Ghauri, and Martin 1998).

Findings

Company characteristics

Table 1 presents a domestic and international profile of the nine case companies.

It is evident that a broad selection of retailers has been included in this study, according to size, age, international operations and ownership. These companies are highlighted in Table 1 and include beauty and cosmetics, clothing and accessories, jewellery and gifts, and sports and leisure sectors of the retail industry. These cases are specialist retailers and have adopted a focused line of merchandise (i.e. accessories, gifts, clothing, body care, jewellery, perfume, silverware/tableware, home interiors, healthcare/medicine, and guns) and a niche strategy. This niche strategy was found to be supported by a distinct British/English image, a unique concept, the history/heritage of the company, emphasis on product craftsmanship, or the in-house manufacture of products. For the majority of case companies, a distinct British or English image of the company brand or product was a key characteristic of international expansion. As the Marketing Manager of Company F stated 'in the US they love all the very British things, the very thing they like about [Company F] is the very Britishness of it'. Company H also found that 'in America they love the British' and the very Britishness or Englishness of their brand is highlighted by Royal Warrants, which was important in terms of securing a reputation for excellence.

The specialist/niche characteristics of these retailers are also evident through the clear market appeal of the company brand. At the top-end of the market there were luxury retailers such as companies A, B, F, and H with high quality products and exclusive brand recognition and strong affiliations with traditional style values and quality. At the other end of the market spectrum there were concept retailers such as companies D and I who focused on a particular market segment and customer with recognisable and more affordable middle-market brands and products. The extent to which these company characteristics (i.e. specialist/niche characteristics, market appeal, and strong brand) play an important role in aiding the retailers to overcome the barriers encountered in international expansion will be examined later in this paper.

For a number of these cases a change in ownership has occurred at some point in their history (Companies A, B, C, E, and H). This provided a valuable opportunity

to consider the impact of such ownership on the specialist retailer concerned. That is, whether ownership was beneficial and facilitated or supported the internationalization process and thus ultimately allowed the specialist smaller retailer to overcome barriers to internationalization. In all cases, a change from private to parent ownership occurred before the current study commenced. Company H was the only case where international expansion occurred as a direct result of the parent company takeover. For the other cases, a presence in international markets had been established prior to the change in ownership, and the acquired funds, knowledge and networks of the parent company were more often found to promote continued internationalization.

Barriers to retailer internationalization

The main barriers experienced by these retailers during the process of international expansion, as identified by the case companies themselves and the industry organizations, are presented in Table 2. The case companies identified both internal and external barriers to internationalization relating to financial capability and infrastructure, management attitudes to growth, and foreign market differences. Whilst the evidence from government and consultancy organizations confirmed the case company data in terms of the internal and external barriers, lack of training and knowledge was, in addition, noted as a factor preventing expansion outside the domestic market.

From Table 2 it is noted that these barriers have impacted upon international growth both at the stages of entry to, and growth in, foreign markets. The paper will now consider each barrier in turn.

Internal barrier: financial capability and infrastructure

Interviews with the case companies highlighted problems relating to financial resources. This was found to have an impact upon the pace of expansion in foreign markets causing some retailers to slow down their expansion activities and, in several cases, even withdraw from foreign markets. For example, Company G, a small private firm with limited finances, has approached expansion with caution and

Table 2. Barriers to retailer internationalization.

Barrier to Internationalization	Stage of Expansion	Case Companies	Industry Organizations
Internal: Financial Capability and Infrastructure	Market entry and growth	A, B, C, D, E, G, I	Govt 1 Cons 1, 2, 3, 4
Internal: Management Attitudes to Growth	Market growth	E, I	Govt 1, 2, 3 Cons 1, 3, 4
Internal: Lack of Training and Knowledge	Preventing internationalization		Govt 1, 3, 4 Cons 4
External: Foreign Market Differences in Culture and Legislation	Market growth	A, B, C, D, E, F, H, I	Govt 3 Cons 1, 2, 3

Source: Case company and industry organization interviews and documentation collected in 2003.

careful planning, as their Chairman stated: 'it's a private company, so we don't bend the ranch'. Company I also noted lack of finances as a significant barrier to expansion. The Managing Director explained: 'it is very difficult because we are a family-owned business, we don't have loads and loads of profits the same as, you know, Marks & Spencer ...'.

The findings also revealed that financial constraints inhibited not only privately-owned firms, but likewise restrained the expansion of smaller retailers owned by a parent company with greater resource capabilities. The change in ownership brought about by a new parent, and the subsequent funds, knowledge and networks injected into the firm, while noted as an advantage initially in expansion overseas, did not always yield positive benefits. As noted by two companies, the focus on short-term financial gain by the parent company acted as a barrier to further growth in certain foreign markets. Given the financial investment required to enter a new market, Company B operated a risk-averse strategy of international expansion, and their Market Manager stressed that a short-term return on new ventures is required before a decision to move into a new market is made: 'in every strategy that we have employed as a company ... the bottom line in terms of return on investment has always been the focus ... Every region we go into internationally we require short accounts of profits and return on investment'.

Internal barrier: management attitudes to growth

Management attitudes were identified as a barrier to international growth for some of the retailers in this study, and this problem was also confirmed by the evidence obtained from the government and consultancy organizations. Management attitudes were found to impact the pace of market growth by retailers. For example, Company B referred to internationalization as 'a complex decision and not a decision to be taken lightly' and Company I described expansion as 'a calculated risk' where all avenues must be explored before an international move is made.

This heightened opposition to risk was found to stem from the resource limitations and capabilities of these firms operating in the highly competitive arena of global retailing. The Wholesale Manager of Company E explained how the financial constraints of the parent company have stilted international expansion: 'initially there was the short-term sudden capital and everyone thought, great we have got backing from a big financial company, a multi-million dollar company, but they are very shrewd operators ... they want to know what is happening with their cash'.

For Company I, the situation is somewhat different in that one of their main difficulties in expanding further internationally has been role of the original founders of the company who still have an active role in decision-making. Their Managing Director explained that in terms of future international expansion 'the Board don't want to take the risk'.

External barriers: foreign market differences

For the majority of companies in this study the complexity of conducting business in foreign markets, highlighted by culture and legislation, was cited as a key barrier to growth in foreign markets. Firstly, in terms of culture, eight companies identified problems in conducting business and, in particular, the management of operations in

foreign markets in comparison to the UK as a key barrier to internationalization. For example, Company H stated that ‘we really have to recognize the needs of the culture . . . you just have to be open to the way they are, instead of going in there blinkered in the way your brand is perceived’. For Company D, the cultural complexity of doing business in the US had more serious implications for market growth and forced the company to withdraw from the market.

Secondly, barriers erected by legislation in international markets also proved difficult for some retailers in this study in terms of growth in a foreign market. For example, in terms of product ingredients, Companies D and E experienced legislative barriers in certain markets. Company D found that government regulations regarding alcohol restrictions created problems for their international expansion into the US market, as their International Manager explained: ‘alcohol cannot be posted to the US, it is illegal, therefore such products containing alcohol have to be sourced locally in the US and then re-labelled as [Company D]’.

Government and consultancy perspectives

As indicated in Table 2, the government and consultancy organizations confirmed the retailer responses but also added new insights on the barriers encountered by smaller retailers in the process of internationalization. First, the industry organizations confirmed that resource limitations (both financial and organizational) are inhibiting factors both at the early stages of market entry and growth in the foreign market. As Consultancy 3 stated, ‘internationalization does take a lot of effort and does take dedicated resources’, and for smaller retailers there are more barriers in terms of resource commitment to international expansion. Consultancy 4 also argued that the small management structures of retailers are limited in the time and energy that must be dedicated to international expansion, therefore more often ‘smaller companies don’t have a large management infrastructure . . . to start thinking about international expansion’.

Second, a lack of management vision was also highlighted by the industry organizations as a critical barrier to expansion at the early stage of foreign market entry. For example, Consultancy 1 identified potential hurdles in terms of management vision: ‘not only is cash flow one of the key problems, but sometimes also management – the ability of management to look further than this country’. Government 3 explained how ‘vision is crucial – it is very important to have people in management with a vision to see opportunities . . . a large number of retailers won’t even go overseas because of fear’.

Third, both government and consultancy organizations also noted the cultural differences between domestic and international markets as a key barrier in the growth of business in a new foreign market. Government 3 argued that the failure of many larger British retailers overseas has been the lack of adaptation of product or brand to foreign markets. This failure was explained in terms of a: ‘reluctance to adapt to the needs of a new market and they have tried to fit something that works in the UK and transport it in without any changes’. On a similar note, Consultancy 1 noted how pride in the domestic market by luxury retailers can hinder success internationally: ‘. . . the challenge is to extend that brand into a new market. The international market has its uniqueness every time’.

Fourthly, in addition to the key barriers highlighted by the case companies, the industry organizations in this study noted that a lack of training and knowledge can

prevent smaller retailers from entering international markets. While this factor was not highlighted in the case company evidence, it may reflect the fact that the companies in this study have already internationalized and a lack of training may be more relevant to smaller retailers yet to internationalize. From research conducted by Government 3, it ‘emerged that what retailers need is more education of management in overseas markets . . . especially for smaller retailers, education, and training and time are big issues and unfortunately many don’t see the relevance of international markets’. Government 4 also identified a lack of specific key skills in UK small- and medium-sized retailers, including experience and ability to speak foreign languages, as a barrier preventing internationalization. Given the complexities of expanding outside the domestic market, Consultancy 3 pointed out that more training and education is needed to assist smaller retailers in their foreign market expansion, as their Director stated: ‘the world is not your oyster . . . there is so much thought that needs to be given and a model needs to be built to take people through the route’.

Overcoming barriers to internationalization

The findings not only generated insights into the difficulties experienced during the process of internationalization for these retailers, they also provided some indication as to how these barriers were overcome. For these retailers, it was found that specialist/niche characteristics, a strong brand identity, and networking with key organizations/partners helped overcome the barriers associated with foreign expansion outside the UK at the stages of market entry and growth. These factors are presented in Table 3.

Specialist/niche characteristics

The niche or specialist characteristics of these retailers (companies C, D, E, F and I) presented the opportunity for these firms to expand a focused range of merchandise

Table 3. Overcoming barriers to international expansion.

Overcoming Factors	Barriers	Case Companies	Industry Organizations
Specialist/Niche Characteristics	Market entry: overcoming barriers associated with cultural complexities of foreign markets	C, D, E, F, I	Govt 2, 3, 4 Cons 1
Brand Identity	Market Entry: overcoming barriers associated with cultural complexities of foreign markets	A, B, C, D, E, F, G, H, I	Govt 1, 2 Cons 2, 3, 4
Networking/ Partnering	Market entry and growth: overcoming barriers associated with legislation, finance, infrastructure and lack of knowledge	A, B, C, D, E, I	Govt 1, 2, 3, 4 Cons 1, 2, 3, 4

Source: Case company and industry organization interviews and documentation collected in 2003.

into new foreign markets without major adaptations, even in view of cultural barriers in a new market. For example, Company D explained that the natural element of their products is a unique concept ‘which is appreciated right across the globe’, and which transcends the need for local adaptations. In the case of Company F, in their move to the US, their International Director highlighted that ‘they (US consumers) love all the very British things, the very thing they like about (Company F) is the very Britishness of it’.

Brand identity

For all companies in this study, the brand or company identity was highlighted not only as a key characteristic but a principal strength in international markets. It was also evident that the company brand was an asset and an important ownership advantage for the retailers in this study, which often provided the key stimulant for overseas expansion and the platform upon which competitive advantage in international markets was developed. It may be argued that a strong brand and/or company identity allowed these retailers to expand into more distant markets regardless of cultural complexities. For example, Company C explained how ‘the brand and its product line pretty much open most of the first and second doors’ of foreign market expansion. Likewise, Company H explained how the brand is opening doors for future expansion into the Far East: ‘we already know from Terminal Three [Heathrow airport London] that we have got a Japanese customer who wants the brand – they love the Englishness and the Britishness of the brand, so it is a natural development for us to move into this market’.

Networking/partnering

In terms of overcoming any difficulties in foreign market expansion relating to legislation, finance, infrastructure and gaps in knowledge, the retailers in this study were found to engage in networking and partnering activities (Companies A, B, C, D, E and I). Different levels of government services or consultancy support were found to aid their expansion overseas by providing access to market knowledge, research, and contacts in the foreign market. Companies A, C and D held meetings with Governments 2 and 4 concerning expansion plans and access to contacts in foreign markets. Company E found government assistance through the Internet and the relevant search engines informative for issues such as foreign market legislation: ‘the government is very handy in terms of . . . regulations, especially in cosmetics’.

The impact of resource barriers was found to affect the choice of entry mode for some firms who highlighted the preference of in-store concessions and franchising as lower cost methods of expansion in foreign markets. The International Manager of Company D explained how ‘having partners/franchisees eases the financial and organizational risks for us as a company, being a small company, this is really the only way we can feasibly expand internationally’. The preference for in-store concessions was noted by the Market Manager of Company B who stated ‘when we first go looking into international markets, we look at existing structures and a customer base . . . So, for a proportion of the price we get into a new market’. In like manner, Company I has also used in-store concessions as a less-expensive and risky mode of expansion.

Government and consultancy perspectives

The key sectors of market opportunity for smaller retailers in international markets identified by the industry organizations (Governments 2, 3 and 4 and Consultancy 1) were specialist areas relating to the jewellery, gift, and beauty sectors of industry. For example, Consultancy 1 explained that such retail sectors offer opportunities for international expansion to smaller retailers because 'it is the easy transference of these items abroad, which don't necessarily have too much of a culture shock and don't have to change too much to get into the foreign market'. In particular, the importance of niche opportunities for smaller retailers moving overseas was also noted as Government 3 argued that 'smaller retailers, who don't necessarily have the expertise or capital to look beyond the UK market, can find opportunities in niche markets'.

The importance of a strong brand identity in the successful foreign market expansion of smaller retailers was also confirmed in the interviews with industry organizations (Governments 1 and 2 and Consultancies 2, 3 and 4). While 'brands are the peg or the marketing hook on which to hang your marketing plan', as stated by Consultancy 4, the government and consultancy organizations also urged caution in the application of a brand across markets. The industry organizations argued that smaller retailers must recognise barriers to internationalization in terms of the cultural complexities in different foreign markets and how the brand identity of the company fits with the consumer culture in the new markets.

Given the difficulties of entering a culturally diverse market, a local partnership has been recommended by all the business support organizations included in this study in order to minimize the risks. As Consultancy 3 stated, 'it's unknown territory, uncharted waters and it's very easy to make big mistakes and lose all the cash you put in. Rely on your partner to do that, spread the risk, and spread the reward'. The expertise of a local partner 'who understands the nuances and the subtleties and the demands of the local market' is, according to Consultancy 4, important for all sizes of retailers in overcoming the difficulties of international expansion. Government 3 argued that 'the franchise route (is) probably the cheapest and least resource-intensive route for retailers, certainly for smaller retailers... (who) don't have the management capabilities and financial resources to handle huge kinds of commitment'.

Discussion

The findings from the data collected from case companies and industry organizations identified external and internal barriers to retailer internationalization and how they were overcome. It was found that the aforementioned barriers to expansion did not prevent an international move, but rather inhibited the subsequent growth in the foreign market for the SME, specialist type, retailers involved in this study. Their specialist nature, strong brand identities and willingness to engage with networking and partnering allowed these companies to overcome potential barriers.

Overall, the evidence indicates that limited resource capabilities have not prevented SME retailers from expanding internationally, but in some cases restricted further growth overseas. In this, the results contradict earlier research by Salmon and Tordjman (1989) on international retailing, which claimed that small scale and independent retailers have neither the financial capacity nor the managerial culture necessary for international expansion. The present study would provide support for the

literature in the field of international retailing research that posits that lower cost and control entry modes are appropriate for smaller retailers with more resource limitations (Treadgold 1988; Dawson 1994; Katsikeas 1994; Alexander and Quinn 2001).

The findings pertaining to management attitudes towards expansion supports, in particular, research by Rosson and Seringhaus (1991) which found that in the pre-export stage attitudinal barriers may deter firms from considering internationalization. Several studies in the field of international retailing have also highlighted the importance of management attitudes towards international expansion. For example, Vida, Reardon, and Fairhurst (2000) found that decisions for growth in non-domestic markets will not be made unless management exhibits positive views with respect to opportunities and barriers involved in international expansion. It would appear then that as internationalization of smaller retailers is driven by key decision makers at a senior level within the company, negative attitudes to growth can then restrict further expansion overseas.

The relationship between the cultural complexity of foreign markets and the process of expansion has been made explicit within the literature to date. The potential 'lack of fit' between foreign customer acceptance and the exported retail formula has been highlighted within the retail literature by Brown and Burt (1992) and extant studies of SME internationalization (Bell 1995; Leonidou 1995; Rundh 2001). In view of the literature, the evidence of legislative barriers confirms extant studies in the field of international retailing (Burt and Sparks 2002) and SME international literature (Leonidou 1995; Bell 1997; Coviello and McAuley 1999).

The findings have not only generated insights into the difficulties experienced during the process of internationalization, but have provided some indication as to how such barriers were overcome. The importance of a specialist market strategy supports the literature in that retailers operating in niche markets and utilising a distinct set of qualities, can compete with larger organizations despite resource limitations (Madsen and Servais 1997). The niche or specialist characteristics of smaller retailers presents the opportunity for these firms to expand a focused range of merchandise into new foreign markets without major adaptations, even in view of cultural barriers in a new market. This further confirms the notion that SMEs are often concentrated in sectors serving a narrowly defined segment that allows them to capitalise upon their strengths in international markets (Papadopoulos 1987; Merrilees and Tiessen 1999). For the companies in this study, the global appeal of the specialist brand rooted in the domestic market is 'without boundaries' (Moore, Fernie, and Burt 2000), i.e. generically international, entailing little adaptation in foreign markets (Lanzara 1987). Therefore, a global brand strategy of standardisation with minor adaptations in merchandise across foreign markets has allowed these smaller retailers to overcome any cultural barriers or difficulties in new markets.

Networking and partner activities, along with different levels of government services or consultancy support to aid expansion overseas, have been important in terms of securing access to market knowledge, research, and contacts in the foreign market. It is argued more generally in the literature that direct measures of external assistance (Seringhaus and Rosson 1991; Diamantopoulos, Schlegelmich, and Katy Tse 1992) from government or consultancy organizations are important for some smaller retailers in promoting and supporting internationalization by bridging market information barriers. As previous studies have noted, the assistance available from government and consultancy organizations as a mechanism of support in the areas of market research and local market regulations (Seringhaus and Rosson 1991;

Crick and Czinkota 1994), enables smaller firms to overcome cultural and legislative barriers to expansion. Such assistance is important at various stages in the internationalization of retailers, both at the stages of entry and growth in the foreign market as a support mechanism.

Conclusion

The findings from this study present new insights into international retailing where the emphasis within the literature has been on the activities of larger companies. Given the lack of consideration this issue has attracted in the literature, the findings from this research provide valuable insights. Smaller specialist retailers with dynamic organisational characteristics and strong brands are the global retailers of the future, recognising and understanding the barriers they face when internationalizing is crucial to understanding how other smaller specialist retailers will be able to overcome such barriers in the future.

This paper concludes that external barriers (culture and legislation) and internal barriers (financial capability, management attitudes to growth and a lack of training and knowledge) are the key inhibitors of SME retailer international expansion. Whilst SME retailers encounter barriers to expansion, this paper has highlighted how key factors can help to overcome barriers to the internationalization of business. In particular, the specialist characteristics, luxury market appeal and possession of a strong brand can allow international expansion for SME retailers, regardless of cultural differences.

The findings presented here are primarily concerned with SME retailers with existing international operations. As such, the barriers to internationalization highlighted in this study relate mainly to the difficulties experienced at the entry and growth stage of expansion in a foreign market. To fully understand the barriers to foreign market expansion and to make 'real' suggestions to policy makers in terms of support measures, future research must also study those retailers yet to internationalize.

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