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Internationalisation of grocery retailing in the Global South: general conditions, formats and spatial expansion patterns of selected MNEs

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Abstract

Grocery retail internationalisation in developing economies is a dynamic process that began just a decade ago. It was initially dominated by a North-South expansion of large retail MNE from Western Europe and North America. Hereby, only a limited number of grocery retail chains expanded to these markets, typically with formats such as hyper-/supermarkets. Super-/hypermarketisation is, however, no longer only a peculiarity and a dominant pattern of a North-South expansion, increasingly retail grocers from the Global South are both setting up similar types of stores in their home markets and gaining a foothold in neighbouring countries at the same time, leading to a new pattern of South-South expansion. Elaborating upon the crucial conditions for grocery retail internationalisation in general, the article analyses rationales, formats and selected companies that piloted this process, followed by a closer look upon the characteristics of spatial patterns in the expansion process. The latter were heavily influenced by spatial and socio-cultural proximity in the early days, whereas currently regionally and culturally more distant markets are penetrated.

Zusammenfassung

Die Internationalisierung des Lebensmitteleinzelhandels in Entwicklungsländern kann als ein dynamischer Vorgang aufgefasst werden, der insbesondere in den letzten 10 Jahren zu beobachten ist. Dieser Prozess wurde ursprünglich durch eine Nord-Süd-gerichtete Expansion großer MNU des Lebensmitteleinzelhandels aus Westeuropa und Nordamerika dominiert, die diese neu erschlossenen Märkte hauptsächlich mit den Betriebsformen des Super- bzw. Hypermarktes bedienten. Diese sogenannte „Super-/Hypermarketisierung“ ist inzwischen allerdings kein Alleinstellungsmerkmal einer Nord-Süd-gerichteten Internationalisierung mehr; vielmehr beginnen Lebensmitteleinzelhändler des globalen Südens zunehmend diese Betriebsformen nicht nur auf ihren Heimatmärkten zu etablieren, sondern auch in Nachbarländer zu expandieren; sie tragen damit zu einem neuartigen Süd-Süd-gerichteten Expansionsmuster bei. Basierend auf der Betrachtung grundlegender Rahmenbedingungen für die Internationalisierung des Lebensmitteleinzelhandels veranschaulicht der vorliegende Beitrag Beweggründe, Betriebsformen und insbesondere den räumlichen Expansionsprozess anhand ausgewählter MNU des Lebensmitteleinzelhandels, die für die jeweiligen Expansionsmuster den Weg bereitet haben. Während die räumliche Ausbreitung in den frühen Phasen der Internationalisierung durch räumliche und sozio-kulturelle Nähe gekennzeichnet war, werden gegenwärtig ebenso räumlich und kulturell weiter entfernte Märkte erschlossen.

Keywords Internationalisation, retailing, Global South, spatial expansion patterns, MNE

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1. Introduction

Although retailing has predominantly been a domestic economic activity for a long time, the last decades have shown an increasing process of internationalisation. Hereby, mainly non-food retailers expanded to foreign markets in a first stance followed later also by grocery retailers who started to go abroad. The main reasons for this time-lagged spatial expansion are sector-specific prerequisites and difficulties experienced like the establishment of effective internal procurement systems for groceries and fresh food. In the beginning, the spatial expansion process was oriented towards developed economies, but recently emerging markets of the Global South are becoming a significant target for retail expansion as well. This process of grocery retail internationalisation is often addressed as “supermarketisation” and/or “hypermarketisation” as these retail formats tend to be the dominant types of stores when moving beyond national borders. Super-/hypermarketisation is, however, no longer only a peculiarity and dominant pattern of a North-South expansion, increasingly retail grocers originated in the Global South are both setting up similar types of stores in their home markets and gaining a foothold in neighbouring countries leading to the new pattern of a South-South expansion.

After opening up with a thorough consideration of crucial conditions for grocery retail internationalisation, the article analyses rationales, formats and companies that piloted this process, followed by a closer look upon characteristic spatial patterns in the expansion process.

2. Conditions for internationalisation

The process of internationalisation is influenced by both limited possibilities of expansion within home markets of retail companies and by novel and arising opportunities in developing markets. The so-called developed and early industrialised countries are predominantly characterised by saturated markets in retailing; new retail developments and growth are often only possible in niches and by creating new necessities and therefore demand within existing structures. In contrast, emerging economies open fresh promises for expansion. Changes in the regulatory system, in the demand situation and in the supply structure are constitutive elements of these novel opportunities.

The regulatory system has witnessed an on-going liberalisation and standardisation through multilateral agreements in the last two decades which have created occasions for international expansion, especially in services. The General Agreement on Trade in Services (GATS) initiated by the World Trade Organisation (WTO) in 1995 was the crucial milestone here and has contributed towards integrative regulations for international service transfer (*Neumair* et al. 2012: 131f., *Kulke* 2013: 251f.). Within this framework, WTO member states agreed upon transparent national regulations that partly allowed to access national markets for foreign competitors. Nation states, however, still have a strong influence on the extent of liberalisation, since the WTO failed to entrench general conditions for market access. In other words, each member state has the right to define sub-sectors of services excluded from this liberalisation. Hereby, often state-operated, -run or -controlled services (e.g. important public utilities) are excluded (GATS Art. I (3)) and sometimes even the private retail sector is protected from international competition. The majority of member states, however, either follow or have begun to implement GATS regulations. While market liberalisation for retailing in Western Europe and North America is already prevalent, there has been an increase in the number of developing economies prepared to open their markets to foreign investment in recent years.

Apart from the multilateral framework of the GATS, polylateral integration and bilateral agreements increasingly allow retailers to enter neighbouring

Table 1 Important trade agreements with emerging markets concluded or under negotiation (in italics) from an EU perspective*

Multilateral	Polylateral	Bilateral
GATS 1994 (in force)	EU-Central America regional association agreement and EU-Andean Community regional association agreement (2012) (in force) *EU-ASEAN free trade agreement, EU-Mercosur regional association agreement (under negotiation)*	EU-Chile 2005, EU-South Africa, EU-Mexico 2007 (in force) *EU-India, EU-Malaysia, EU-Singapore (under negotiation)*

**similar trends can be observed in Japan and the USA; Source: own compilation from EC 2014* countries even at better conditions. The most advanced supraregional integration is that of the EU; in other regions of the world (e.g. Latin America, Southeast Asia), the integrative process is just developing. The expansion of EU grocery retailers in Latin America is an example for an internationalisation based on these liberalised regulations to enter foreign markets (*Wrigley* and *Lowe* 2010).

Polylateral agreements (with at least three states involved) within regions like the MERCOSUR (1991), SADC (1992), AFTA (1992) or between regions like the EU-Andean Community Regional Association Agreement (2012) and/or manifold bilateral agreements led to diverse constellations of free trade agreements (FTAs) with different stages of commitment that have paved the way for a long-term engagement of international grocery retailers in emerging markets (see *Table 1* for the European Union). The number of FTAs has globally increased from 22 in 1990 to 263 in 2013, particularly in emerging markets (ADB 2014) despite following-up treaties like the WTO Doha Round (launched in 2001). Main reasons are that numerous FTA constellations have substituted and outperformed the multilateral GATS conditions, resulting in more favourable agreements in terms of food import/export and a variety of service-based activities that concern the grocery sector.

Another trend that has spurred the international expansion of grocery retailers is changes on the demand side in emerging markets. Several studies (e.g. *Goldman* et al. 1999, *Reardon* et al. 2004, 2005, 2007) have identified critical conditions relevant for the establishment of new retail formats like super- and hypermarkets. The most important are expanding market volumes based on income increase and a growing middle class. Next to this economic transition, upheavals in social structures and modes of behaviour are relevant. The entry of women into the workforce outside household activities and changes of consumers' literacy (and therefore abilities, values and habits) induced new shopping behaviours. Moreover, increased ownership of refrigerators and vehicles opened possibilities both for larger shopping volumes and storage. In addition, rising urbanisation and agglomerations led to declines in subsistence production and local market systems which were replaced by modern retail formats.

Last but not least, significant alterations within supply structures fostered the shift from a fragmented to a more integrated supply system and the launch of new grocery retail formats. Hereby, upstream value chains serve as a backbone for retail networks on a regional, national and global range (e.g. *Dawson* 1994, *Burt* et al. 2007, *Coe* and *Wrigley* 2007). The preconditions for these value chains are improved transportation networks, a modernisation of the procurement system and the development of local commodity supply systems in order to efficiently deliver goods to novel retail formats like super- or hypermarkets. Closely interconnected with the establishment of modern supply systems is an intensified cooperation and an apparent information transfer among stakeholders within the chain (e.g. farmers, middlemen, distributors, retailers) both driving innovation and trust.

In order to derive a current and comparable assessment of promising markets for grocery retail internationalisation – based on these general considerations – we have identified, standardised and aggregated selected relevant indicators from the World Bank Database (World Bank Database 2014). These indicators are used as equivalent proxies (representing the conditions of the regulatory system, the demand side and the supply side) to form a two-dimensional index surrogating attractiveness and accessibility of countries of the Global South for the entry of novel retail formats.

Our attractiveness index consists of five demand indicators:

1. Urban population in 2012 (% of total) as an indicator for the potential volume of customers;

2. Income (GNI per capita in 2012, based on purchasing power parity; current international $) as an indicator for the potential purchasing power;

3. Female labour participation rate (% of female population above the age of 15 in 2012) as an indicator for customer potential and shopping behaviour;

4. Electricity supply (% of the population connected in 2010) as an indicator for the potential to store perishable goods;

5. Motorisation rate (motor vehicles per 1000 inhabitants in 2007) as an indicator of mobility to access modern formats and to transport larger volumes of goods.

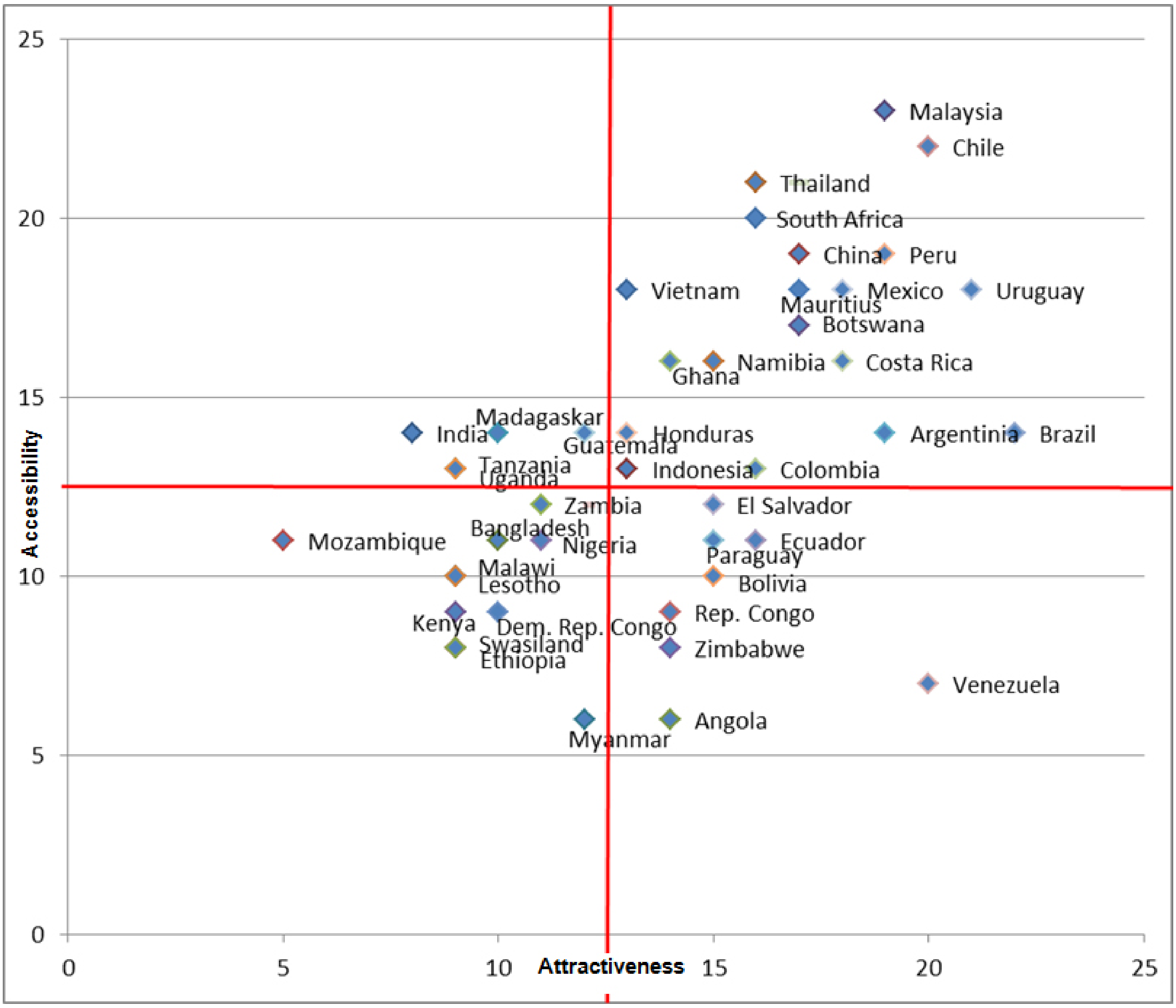

Fig. 1 Results of the attractiveness and accessibility analysis[1] (with regard to selected countries in Latin America, Africa, South Asia, Southeast Asia); data base: World Bank Database 2014

Three aggregated supply and policy indicators were used to measure the accessibility (as an index) of emerging markets for modern retailers:

1. The Logistics Performance Index summarises customs clearance efficiency, the quality of trade- and transport-related infrastructure, the ease to arrange competitive priced shipments, the quality of logistic services, the ability to track and trace consignments, and the frequency of shipments reaching the consignee within the scheduled time;

2. Average foreign direct investments (FDI) in the period 2002-2012 (net inflows, % of GDP) – as an indicator for the openness of a country for international activities;

3. Ease-of-Doing-Business Index, which ranks economies according to the regulatory environment most conducive to business operations (starting a business, construction permits, electricity supply, property registration, credit, investor protection, taxes, trade across borders, contract enforcement and insolvency resolution).

The indicators and indices cover worldwide data and were ranked in descending order to form quintiles (class boundaries were slightly smoothed where numbers were not integer or significant breaks in the ranking had to be considered; in the case of GNI/capita, WB classification requirements were examined). We assigned values from 1 (low) to 5 (high) to the quintiles. Each indicator was given similar weight, with the exception of the indices (Logistics Performance Index and Ease-of-Doing-Business Index), which were weighted double due to already aggregated data and information therein. Based on comprehensive reports, we selected potentially "emerging markets" and summarised values of these countries.

The results show that most countries in Latin America are characterised by both high attractiveness and high accessibility with some exceptions to the rule (e.g. Venezuela, with high attractiveness and low accessibility due to an authoritative government; *Fig. 1*). Africa shows a diversified picture; countries with a low level of economic development are less attractive and often difficult to access (e.g. Malawi, Swasiland, Ethiopia); a few countries, such as South Africa, Namibia and Botswana, however, seem to be appealing targets for internationalisation. A similar diversity is evident in Asia with a number of interesting emerging or developed markets such as Malaysia, Thailand and Vietnam, and several countries that pose a considerable challenge for foreign ventures either to access or towards attractiveness like India or to both such as Bangladesh or Myanmar.

3. Rationales and leading formats/companies in internationalisation

Limited opportunities for market expansion, strong competition and high cost pressure on the domestic markets of developed economies are some of the key reasons why MNE in general (*Suwala* 2013), and large retail chains from the Global North in particular, seek to expand into developing economies. Based on arguments made in the general discussion (*Kulke* 2013: 193), the most important reason for the internationalisation of grocery retailers is the traditional and atomistic idea of 'market seeking' – in other words, extending towards and capturing novel markets. To a much lesser extent, a rather relational 'pick-a-back' strategy where businesses follow competitors that have been successful in entering foreign markets, can be observed in retail internationalisation. Following clients or preparing markets – both substantial reasons for enterprise-oriented/business-services internationalisation – play a minor, if not negligible, role in grocery retailing internationalisation.

The internationalisation process is often closely interlinked with the establishment of retail formats that have proved to be successful on the home market. Instead of developing new business concepts grocery retailers transfer familiar formats to foreign markets. Globally speaking, hypermarkets (more than 4000 sqm of sales space, self-service driven with central cashiers, groceries and a broad variety of non-food articles) and supermarkets (more than 400 sqm of sales space, also self-service driven with central cashiers and a broad and deep assortment of groceries, however, with a

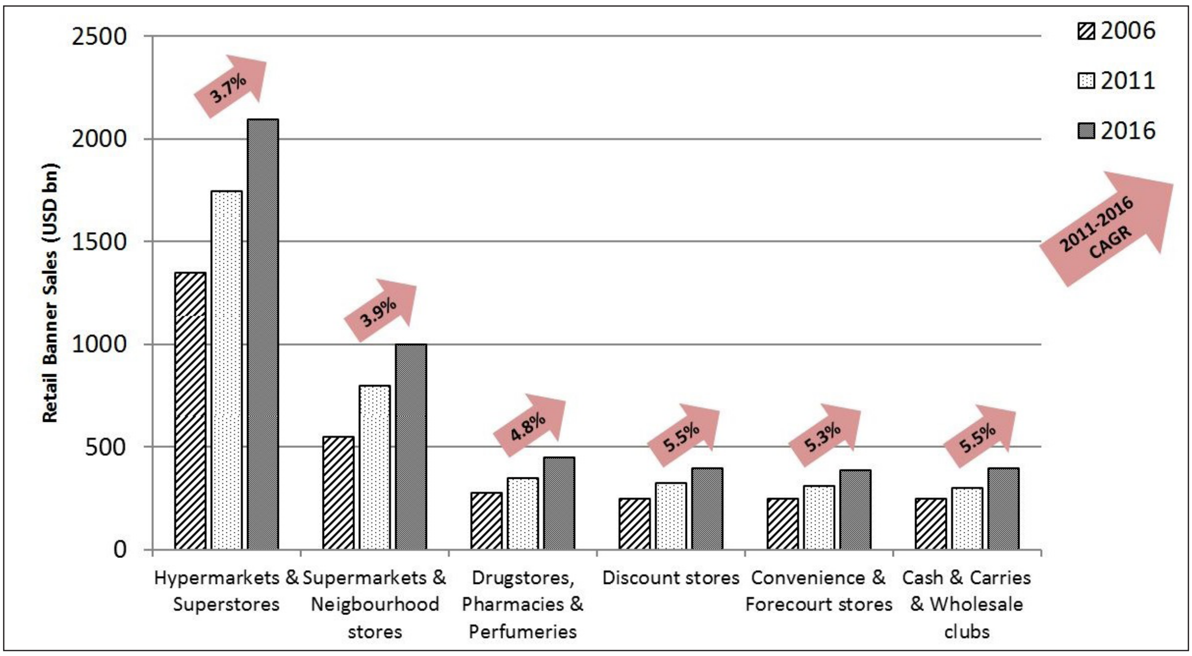

Fig. 2 Global sales and sales growth rates by retail format (2006-2016, billion US$). Source: PlanetRetail 2012; CAGR = compound annual growth rate

limited variety of non-food articles) are the dominant store formats in grocery retailing (*Fig. 2*). In developed economies they constitute the highest share of total sales. While hypermarkets are the most frequently observed format in North America, in Western Europe or Japan, where urban areas are more densely populated, space is limited and more people use public transport, supermarkets in built-up areas are setting the stage. By and large, key food retail formats in the wake of internationalisation not only in industrialised countries but also in the Global South remain hypermarkets and supermarkets; discount store market shares are still limited at the global level but report the highest compound annual growth rates.

Interestingly, hyper-and supermarkets in developing economies tend to offer a higher share of non-food and durable food articles than in developed economies. When an expansion is driven by these formats in a developing country, the share of fresh product sales (e.g., fruit, vegetables, meat and fish) is usually much more limited than the share in overall food retail (*Reardon* 2005: 4). The higher share of durable/packed or processed items can be explained by difficulties arising from lacking supply chains for fresh and wet goods (i.e., perishables and thus imported at a high cost) at the outset of market entry. Only a mid- or long-term engagement in the countries of the Global South allows for the increase of shares within these product segments by integrating local stakeholders.

Reviewing the list of the 250 largest retailers (food retailing and non-food-retailing in 2011), it can be observed that a total of 88 businesses have origins in Europe, 86 are based in North America, and 58 are located in Asia. Only 11 companies descended from South America and 7 from Africa (Deloitte 2013: G16). At the same time, nine of the 10 biggest global retailers (as measured by retail revenue in millions of US dollars) indicated having their major business area in food retailing. The top 15 in grocery retailing were headquartered in core economies such as the USA, Ger-

Table 2 Numbers of countries in operation and worldwide rank (in brackets) of the top 15 grocery retailers (2011) among the top 250 general global retailers; change between 2000 and 2011. Source: own calculations based on Deloitte 2004-2013; x = information not available

Name/Year	2000	2001	2003	2005	2007	2009	2011
Wal-Mart (US)	1	10 (1)	10 (1)	11 (1)	14 (1)	16 (1)	28 (1)
Carrefour (F)	2	23 (2)	31 (2)	31 (2)	33 (2)	36 (2)	33 (2)
Tesco (UK)	13	12 (13)	12 (6)	13 (5)	13 (3)	13 (4)	13 (3)
Metro (D)	5	28 (6)	28 (4)	30 (4)	32 (4)	33 (3)	33 (4)
Kroger (US)	3	1 (5)	1 (5)	1 (6)	1 (6)	1 (6)	1 (5)
Costco (US)	14	8 (12)	8 (9)	8 (8)	8 (9)	9 (7)	9 (6)
Schwarz (D)	x	x	x	21 (10)	24 (7)	25 (5)	26 (7)
Aldi (D)	x	12 (15)	12 (10)	14 (11)	15 (10)	18 (8)	17 (8)
Target (US)	x	1 (7)	1 (7)	1 (7)	1 (8)	1 (10)	1 (11)
Auchan (F)	x	x	X	11 (15)	11 (14)	14 (15)	12 (12)
Aeon (J)	x	x	x	10 (20)	10 (21)	9 (18)	9 (13)
Edeka (D)	x	x	x	5 (17)	3 (19)	1 (14)	1 (15)
SevenEleven (J)	x	x	x	4 (24)	4 (16)	18 (16)	18 (16)
Rewe (D)	x	x	13 (11)	14 (12)	14 (12)	13 (12)	19 (11)
Casino (F)	x	x	x	28 (32)	11 (28)	25 (26)	22 (26)

many, United Kingdom, France, and Japan – all of them early industrialised countries (Deloitte 2014). These chains are strong in their home markets but also have high levels of international sales (*Table 2*). Additionally, they possess a long-time experience in entering foreign markets and how to handle specific local conditions.

Despite the transition from traditional to 'modern' grocery retailing and the triumph of the super-/hypermarkets (e.g. *Reardon* et al. 2004), the top 15 retailers worldwide (see *Table 2*) pursue quite different strategies with regard to retail formats that can be summarised as follows: (1) a mixed portfolio strategy with a broad spectrum of different formats dominated by hypermarkets and supermarkets as flagship stores under own brands (Wal-Mart, Carrefour, partly Casino), (2) a cash & carry/warehouse club strategy (Metro, Costco), (3) a predominant supermarket strategy with quality and private label products (Kroger, Edeka, Rewe) and (4) a discount store strategy with price leadership (Schwarz, Aldi). Whilst grocery retailers tracing the first two strategies possess far-flung foreign activities in emerging markets, the remaining companies provide their business service primarily in home or developed markets. The only three real global players besides world market leader Wal-Mart are German-based Metro and the French companies Carrefour and Casino.

Although the degree of internationalisation of those multinationals (as measured in the number of countries in operation) on average does neither have a fundamental positive effect on their revenue growth rates nor on their profit margin (*Corstjens* and *Lal* 2012: 105), grocery retailing represents a low-margin business and is, therefore, forced to enter global markets for a number of reasons like internalisation (i.e., exploitation of economies of scale and scope), ownership (e.g., diversification of risks) or locational advantages (e.g., preventing trade or market entry barriers) (*Burt* et al. 2007; *Ailawadi* and *Harlam* 2004).

4. Spatial patterns of internationalisation

The spatial patterns of internationalisation of service firms as well as motives and drivers for North-North internationalisation (which lies beyond the initial scope of the chapter, but needs to be explained in order to understand recent trends) as well as North-South internationalisation can be illustrated by the well documented 'experimental learning perspective' as discussed in the so-called Uppsala model (*Johanson* and *Vahlne* 2009). The rationale of this approach tells us that firms traverse a learning process during the steps of their international expansion. In the beginning, when international experience of the firm is limited, expansion abroad is oriented towards countries in spatial (e.g., neighbouring countries) and cultural-institutional proximity (e.g., former colonies, same language, trading blocks). Spatial proximity reduces transportation costs, cultural proximity reduces transaction costs; this is especially relevant for modern food retailers because these stakeholders have to develop, organise and establish procurement systems for the ongoing delivery of items to the stores. Fresh food supply chains are, in particular, a logistical challenge; either efficient cross-border international delivery systems or laborious contacts to local producers or wholesalers have to be established. A cultural-institutional fit between home and host market simplifies market entry for a variety of reasons; for example, it is easier for the management to estimate the market volume, to offer adequate and demanded items, prices, quantities and formats as well as to handle institutional conditions. Both conditions (spatial and cultural proximity), however, are far from being safeguards protecting firms from market failures and divestment (e.g., French Carrefour in Germany, German Edeka in Poland). North-South internationalisation occurs primarily after a firm has successfully conquered other proximate foreign markets, gained international experience, or set up ties towards distant markets. This strategy can be either accompanied with 'flag planting' in the infancy stage in order to diminish risks of greater spatial and cultural-institutional distance and keep sunk costs low (processes that occurred from the 1970s until the end of the 1990s – the Uppsala argument) or by a massive acquisition of local grocers (e.g. the acquisition of Massmart by Wal-Mart in the Southern African region).

Additional elements of this experimental learning process are attempts to integrate partners located in and aware of cultural-institutional conditions in markets abroad or to pursue risk-avoidance forms of organisation. Integration of local knowledge and risk reduction can be achieved with specific forms of franchising, joint ventures or the acquisition of existing retail chains. New market entries in foreign countries by the top 250 retail companies (including food and non-food retailers) in 2011 indicate that these knowledge-integrating and risk-reducing strategies are the preferred forms in more distant regions with diffi-

Table 3 *New market entries (= new countries) by the top 250 retail enterprises in 2011 (absolute numbers). Source: Deloitte 2013: G17*

	Growth (new own branches)	Franchise	Acquisition	Joint venture
Europe	32	10	8	–
Central/South America	5	6	–	1
Asia/Oceania	9	10	2	2
Africa/Middle East	2	17	12	1
North America	1	–	–	–

cult market conditions (e.g., Asia, Africa, Middle East) (*Table 3*; Deloitte 2013).

The learning process, however, is not only limited to multinational companies. Knowledge transfer and spill-overs take place in developing countries, too. Local businesses frequently set up their own food-retailing brands and chains by imitating successful retailing formats from the Global North; the rise in supermarkets run by local companies in southern Africa is an example of learning from others (*Dannenberg* 2013). The transfer of knowledge occasionally occurs through the employment of managers who have worked in other international retail enterprises; a case study of the discount store chain BIM in Turkey (BIM = Birleşik Mağazalar A.Ş.) shows that a former manager of the German Aldi group was employed explicitly with regard to his experience in developing grocery chains (*Franz* and *Hassler* 2011: 32).

The gradual process of expansion from neighbouring to distant countries (referring to both spatial and cultural-institutional proximity and distance) and the spatial patterns are documented for several grocery retailing multinationals. When considering the global grocery retail landscape, distinctive spatial diffusion patterns can be observed for firms from different countries of origin. These patterns are both influenced by spatial and cultural-institutional proximity and by experiences gained in larger regions with similar market conditions. In other words, the probability of internationalisation to geographically adjacent and more familiar regions is obviously higher. The US-based Wal-Mart group, for example, operated mainly in the NAFTA until the mid-1990s, thereafter set foot in South America (Argentina 1995, Brazil 1995), expanded to Western Europe (Germany 1998, UK 1999) and East Asia (South Korea 1998, Japan 2002) until the mid-2000s, and has recently established branches in roughly twenty countries in South America and Africa (*Fig. 3*). The German Metro group went abroad in the 1970s targeting Central and Western Europe, moved on to North Africa in the beginning of the 1990s, before entering Eastern Europe and China in the mid-1990s and is now in the process of expanding to South and Southeast Asia (*Gotterbarm* 2004, *Franz* 2011; *Fig. 4*). On the whole, expansion is the predominant mechanism, despite occasional withdrawals from specific markets. Wal-Mart, for example, closed its branches in Germany and South Korea in 2006; they basically failed to embed their retail concept within the local environment and did not receive enough acceptance from the customers in those countries (*Franz* 2011: 6).

In spite of the depicted current worldwide multifaceted, highly-contextual and environment-based mosaic of grocery retail internationalisation (see *Fig. 1*), some analysts formulated a general model of four broad waves of transformation that holds true for most of global development and expansion patterns (*Table 4*). These anomalies and cycles have to be seen in connection with a variety of multi-scalar liberalisation measures (GATS, regional trade blocs, bilateral FTAs) in cross-border service activities, with a prevalent North-South expansion pattern originating in North America and Western Europe and, in particular, with a triumph of modern retail formats (esp. supermarkets) (*Reardon* et al. 2004, 2005).

The model's 'first wave' is considered of having influenced selected countries in South America (Brazil, Argentina), Northern Europe, and East Asia (with the exceptions of Japan and China) during the early 1990s or before and typically involved the evolution of initial small-scale indigenous ventures into 'modern' retailing by local firms who used domestic capital to follow retail formats and undertakings they had observed in North America and Western Europe. A minority of these emerging markets also experienced entries, involving relatively modest lev-

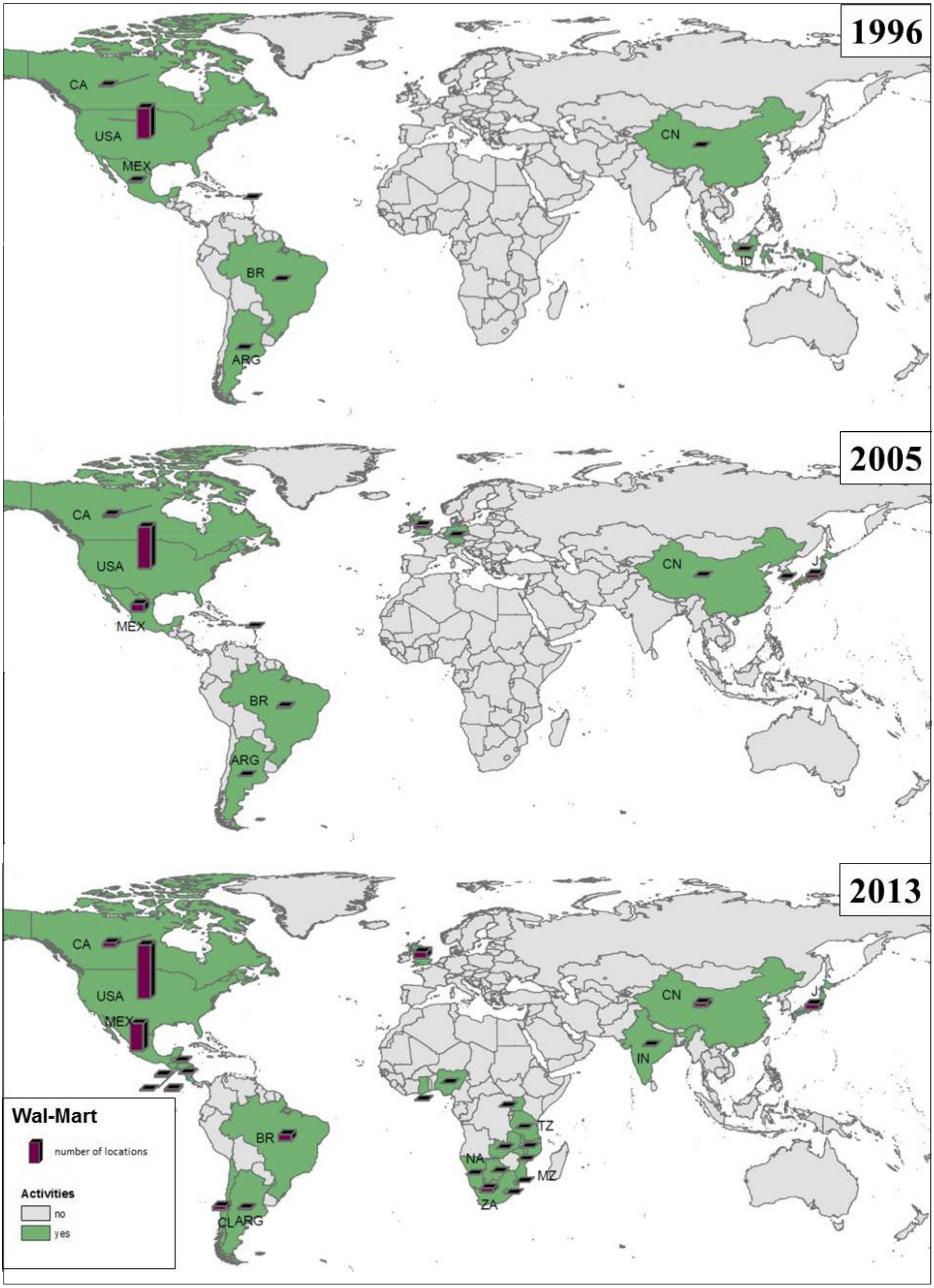

Fig. 3 Spatial expansion of Wal-Mart (USA). Source: own analysis based on company's websites (Wal-Mart 1997, 2006, 2014)

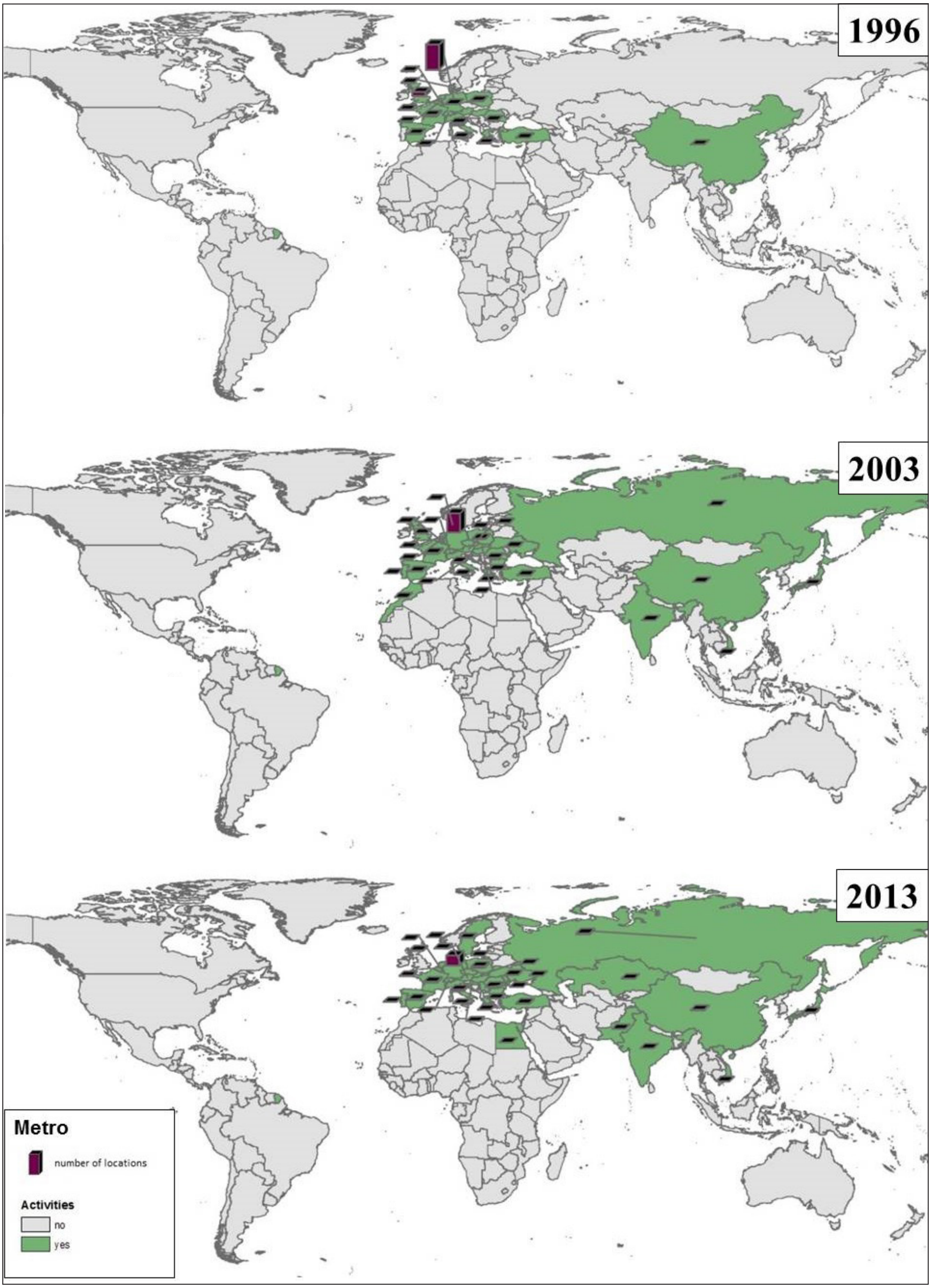

Fig. 4 Spatial expansion of Metro (Germany). Source: own analysis based on company's website (Metro 1997, 2004, 2014)

Table 4 Reardon's retail transformation waves in emerging markets (spatial expansion outside North America and Western Europe). Source: Reardon et al. 2004, 2005, Wrigley and Lowe 2010

First wave: early 1990s
South America, East Asia (outside China and Japan), parts of Southeast Asia (e.g., Thailand, Philippines), North-Central Europe (e.g., Poland and the Baltic countries), South Africa
Second wave: mid-late 1990s
Mexico and Central America, much of Southeast Asia (e.g., Indonesia), South-Central Europe, South Africa
Third wave: early 2000s
China, Eastern Europe, Russia, other parts of Central America and Southeast Asia, India
Fourth wave: late 2000s
South Asia (outside India), Sub-Saharan Africa (outside countries impacted by the second and third wave), poorer countries in Southeast Asia (e.g., Cambodia), South America (e.g., Bolivia)

els of retail FDI, by 'first mover' international retailers such as Dutch Ahold, French Carrefour and Dutch SHV Makro who were rewarded by above-average returns on their investments (*Bell* et al. 2004).

The adjacent 'second' and 'third waves' transformed 'traditional' retail structures in Mexico, parts of Central and Latin America (e.g. Chile, Colombia), much of Southeast Asia and South-Central Europe during the late 1990s, followed by China, Eastern Europe, and specific regions in lagging tigers of Southeast Asia (e.g. Vietnam) in the early 2000s. Again, these waves were driven by a considerable influx in FDI and embraced many of the 'new-born' retail MNCs in a 'gold rush' and merger & acquisition period of entry into emerging markets particularly during the late 1990s before the burst of the dot-com bubble (*Wrigley* and *Lowe* 2010).

Finally, a 'fourth wave' which is viewed as having begun in the late 2000s and involves the transformation of retail structures – depending on attractiveness and accessibility – in remaining countries in South Asia (outside India), Southeast Asia (e.g. Cambodia, Laos), sub-Saharan and parts of Southern Africa where regional (e.g. Massmart) and domestic grocery retailers paved the way for global cooperation through the emulation of modern formats and market consolidation. The waves can be differentiated by the diverging shares of 'modern' retail markets with the highest penetration in pioneering countries (*Reardon* et al. 2007, Deloitte 2013, 2014).

The source and destination of the 500 largest grocery and non-grocery retailer market entries illustrate this new orientation in regional investment strategies towards developing economies (PlanetRetail 2013). The last two quarters of 2012 and the first quarter of 2013 saw the following regional interrelations (*Table 5*):

Table 5 Total number of market entries to foreign countries (Q3/2012, Q4/2012 and Q1/2013 for the 500 largest food and non-food retailers). Source: PlanetRetail 2013

From developed to developed countries:	27 entries
From developed to emerging countries:	49 entries
From emerging to developed countries:	2 entries
From emerging to emerging countries:	7 entries

Although the classic North-South expansion remains dominant, there has recently been a new wave of expansion which is also based on the consideration of learning and spatial/cultural proximity. Its characteristics are twofold: Firstly, newly established firms in the Global South are learning from the North, introducing new formats such as supermarkets or hypermarkets in their home countries (where they are often protected from international competition), occasionally using names similar to well-known international chains. Secondly, once companies have gained experience in running modern formats and organising the supply of food-retailing chain stores, they launch South-South internationalisation and expand to neighbouring countries (*Fig. 5* for the case study of Cencosud from Chile and *Fig. 6* for the case study of SPAR from South Africa).

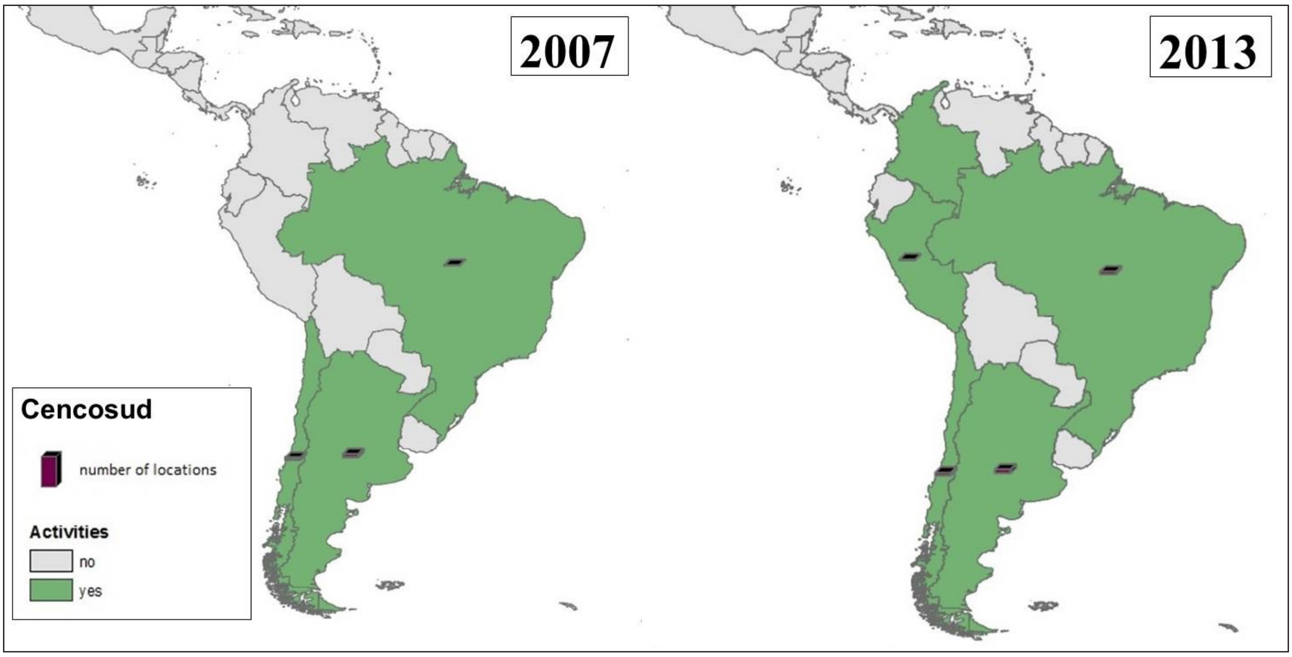

Fig. 5 Spatial development of Cencosud (Chile). Source: own analysis based on company's website (Cencosud 2008, 2015)

All in all, developing economies are currently becoming crucial targets for international expansion. Some of these emerging markets exhibit high income growth rates and therefore facilitate windows of locational opportunities for expansion. Progressive retail grocers picking up these trends are able to realise first mover advantages and thus have temporary monopolies on the distinctive local, regional or national markets. Often their success stimulates other followers by adopting, for example, a pick-a-back strategy imitating the expansion path of profitable leaders.

5. Conclusion

Retail internationalisation in developing economies is a dynamic process that began just a decade ago. It was initially dominated by the North-South expansion

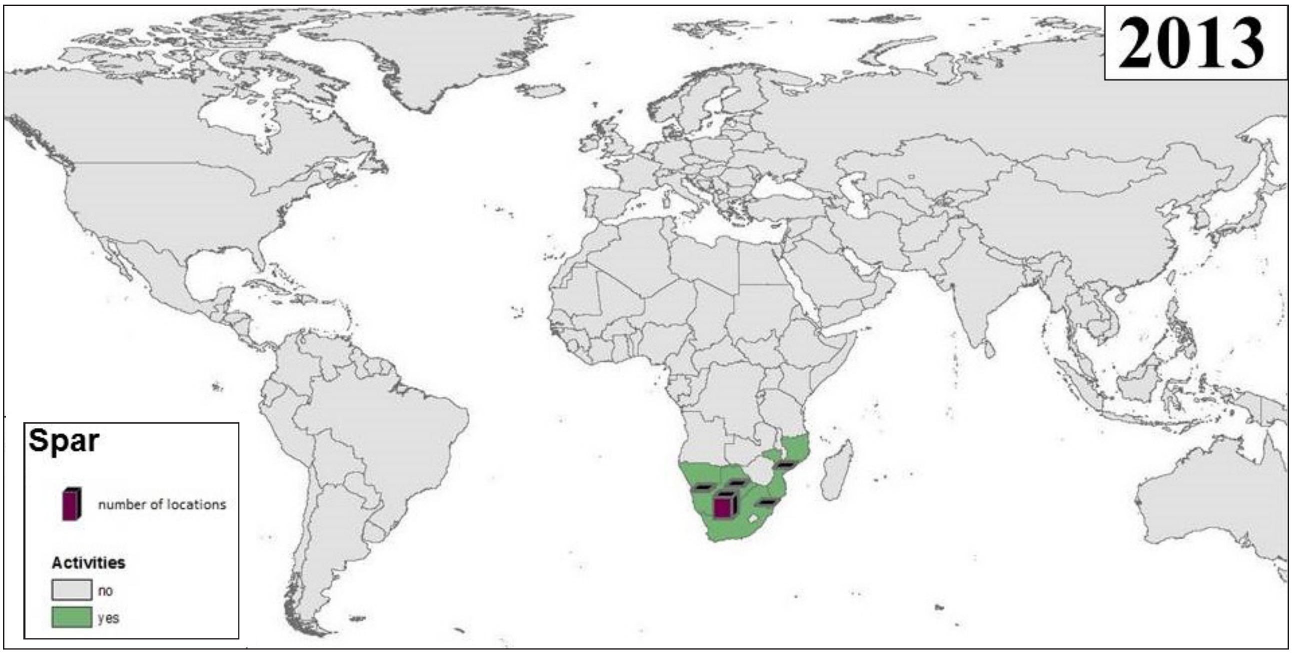

Fig. 6 Locations of Spar (South Africa). Source: own analysis based on company's website (Spar 2014)

of large retail MNE from Western Europe and North America. However, more often newcomers from the Global South have recently begun to expand to neighbouring countries creating a South-South expansion mode. Until recent years, only a limited number of grocery retail chains have controlled international expansion to markets abroad, typically with formats such as hyper-/supermarkets. The initial stages of grocery internationalisation were characterised via an expansion process heavily influenced by spatial and socio-cultural proximity. In the meantime, however, the experimental learning process progressed by manifold mistakes made in the past, accumulating knowledge, easier access via modern ICT technologies and the rise of the middle class in some countries of the Global South, so regionally and culturally more distant markets have been penetrated.

These developments are, of course, accompanied by manifold local and regional impacts (which were not the objective of this article) – both with winners (e.g. transfer of modern and efficient management capabilities and procurement capacities) and losers (e.g. displacement of traditional retails formats like fresh food stalls); moreover, the influx and location of these modern retail formats are far from being equally distributed from a spatial perspective in the Global South; neither from a national (e.g. most MNE target the BRICS bloc and other promising countries with favourable conditions, see *Fig. 1*), nor a regional (e.g. internationalisation usually starts in wealthy areas of large agglomerations or capital areas and only slowly, if at all, diffuses towards the periphery) point of view (see *Suwala* and *Kulke* forthcoming). These observations and other questions like liabilities of foreignness of MNEs stepping into those markets, effects on local grocery prices or costs of living, impacts of these MNEs on specific groups of the society (e.g. women), measures of local policy institutions and regulators, as well as the changing roles of local participants in the value chains are promising future research fields within this realm in the countries of the Global South.

Note

[1] The are some limitations to the data presented in *Figure 1*; it must be stated that the World Bank Database 2014 was incomplete in a twofold sense: (1) Missing values within relevant indicators were substituted by average values for the respective region; (2) since there was a significant lack of data in the foreign direct investments (FDI) database, a 10-year's average (2002-2012) net inflow (measured as % of GDP) of foreign direct investments (FDI) was used as an indicator for the openness of a country.

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