A REVIEW OF METRO, TARGET, & WOOLWORTHS GLOBAL BUSINESS STRATEGY

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ABSTRACT

The objective of the Study is to comprehend the various global business expansion and related strategies implemented by three major retail companies in the three continents, namely the US, Europe and Asia Pacific. A number of empirical, review, conceptual articles and case studies were reviewed for global business strategy, followed by the evaluation of leading indicators and analyses of a number of National and International business research papers and articles. The key findings include that the successful global expansion includes thorough adaptation to the local business markets whose key constituents are customers, culture and customs, competition, and local laws. The article also includes the comparison of key parameters between three retail companies. The international business expansion for top retailers is also a challenging task when it comes to different market realities across continents. But, there are also successful global retailers whose presence is not bounded by continental geographies. The global retail industries are long-haul businesses with longer break-even periods. So, an effective global business expansion strategy should be implemented with insight into the future business requirements.

Key words: Global Business Strategy, Retail Companies, Business Expansion, Business Development, Competitive Advantage.

1. INTRODUCTION
In a global business environment, companies or firms have to identify, formulate and execute business strategies in accordance with the geographical, political, and related environments in which it is operating. The Global Business Expansion strategy should always initially focus more on Organic growth within the home country and later with emphasis on in-depth research on supply chain management, distribution challenges and novel retail strategies on countries in which it wants to expand. The increasing competition and rising pressure of globalization has triggered the Corporate and Academics to rethink about the formulation of global business strategy.

2. OBJECTIVE OF THE STUDY
The purpose of the present review paper is to study and understand a range of global business expansion and relevant strategies practiced by the three major retail companies such as Metro, Target, and Woolworths in the three continents, namely the US, Europe and Asia Pacific.

3. DESIGN/METHODOLOGY/APPROACH
The current research study includes an in-depth review of the academic research articles of empirical, conceptual, and case study form on business strategy in the global retail industry. The data were collected through online databases such as ProQuest, SAGE, Elsevier (Scopus), Google Scholar, EBSCO Host – Business Source Complete, and Emerald Management. The keywords used in the present review of the literature were global business strategy, retail companies, business expansion, business development and competitive advantage. The reference list from the articles is also used for literature review and around twenty significant research articles were studied, comprehended and analyzed for the overall literature concept. In addition, all the corporate websites of Metro, Target and Woolworths have also been analyzed to draw critical data relevant to the global business strategy.

4. REVIEW OF LITERATURE
The presenter view paper and its purpose is to study and understand a range of global business expansion and related strategies implemented by three major retail companies in the three continents, namely the US, Europe and Asia Pacific. The relevant literature and associated research studies in the field of global business strategy is as below:

Mitton, (1987) through the research study identified that foreign multinational retail companies adopt the strategy of vertical integration for acquiring retail outlets for their products. Helms et al., (1992) through their research study revealed the critical relationship between the competitive strategy adoption and the performance of the business among the retail companies. Liu & Davies, (1997) through their research disclosed that retail companies follow the strategy of rationalization and market orientation to meet the requirements of various types of customers.

Colla, (2003) disclosed the significant factors related to various strategic groups among the retailers for a successful global expansion through the research study. Maharajh & Heitmeyer (2005) through their research study revealed the critical factors responsible for the global expansion decision related to the retailer, which include the volume of the retail market and stability in terms of economic and political environment of the nation. Hutchinson et al., (2006) through their research investigation found that the British retailers of small business enterprises possess the capability to expand its business to global platform. Further, the research study was also conducted on the small and medium enterprises (SMEs) sector related to the retail industry.
Owens & Quinn (2007) conducted a research study on the critical challenges related to the international joint ventures among the retailers who plan to expand their business globally. Through their research investigation, it was disclosed that the international retailers and their business partners take shorter periods to collaborate and conduct businesses effectively. Evans et al., (2008) identified that growth related to the profits of the business act as the significant triggering variable for the expansion of the retail business globally. In addition, it also disclosed the challenges related to the internationalization of the retail business, which include experiences of the past, regulatory laws and related atmosphere, market conditions, and cultural variations.

Bianchi (2009) through a case study disclosed that orientation towards innovation, knowledge related to the organization, local market adaptation, partnership strategy, and the top management with experience assist in expanding the business globally among the retail companies. Guercini & Runfola (2010) identified that retail companies and their business networks plays a critical role in expanding and developing the business across various nations. Chan et al., (2011) through research study revealed that the growth of the sales of international retail companies is directly proportional to the rate of the business expansion and indirectly proportional to the number of the nations of business operation and the number of formats related to retail business.

Ilonen et al., (2011) through their research study identified that retail strategy related to branding plays a pivotal role in the internationalization of the business among the retail companies. Hutchinson & Quinn (2011) disclosed a range of critical variables which represent the characteristics of an international retailer, which include strategy of niche nature, vertical integration, identifying the image of the brand in relation to the market requirement, the characteristics of the proprietor, and the expansion strategy of dual form. Pancras et al., (2012) revealed that retail managers should give due importance to the effect of the business expansion on the whole chain of the retail business before implementing the related business strategies.

Dos Santos et al., (2013) identified that governance system of understandable nature followed by Woolworths allows it to execute the business policies and practices effectively. Ghazzawi et al., (2014) through their research study disclosed the key strategies followed by Wal-Mart for global expansion, which include strategies to deal with retail market constraints, responsibility towards society and the continuance of the Wal-Mart culture. Pederzoli & Kuppelwieser (2015) disclosed that the rate of global expansion of the retail business increased immensely after the 2008 global financial crisis.

Childs & Jin (2015) found through their research study that the scale of business operations and product categories play a key role in the internationalization of the retail business. Wood et al., (2016) conducted their research on the key factors relevant for transferring the existing skills and business strategies to the new countries of Tesco’s retail expansion through the adaptive approach of multi-scalar nature. Mohr & Batsakis (2017) through their research study disclosed the key factors required for global retail business expansion, which include global business experience of the firm, intangible asset usage, and the financial strength of the retail company through the resource based view approach.

The primary objective of the research study is to expand the already existing literature and body of knowledge related to global business expansion and relevant strategies followed by the three major retail companies such as Metro, Target, and Woolworths in the three continents, namely the US, Europe and Asia Pacific. The significant data of the above retailers in terms of business strategy is as below:
4.1. Metro AG

METRO GROUP (The Group or Metro) was headed by METRO AG. As a holding company, it undertook the group management operations such as finance, controlling, legal and compliance. The group recorded revenues of €58,417 million in the financial year ended September 2016. The net profit was €599 million in the financial year 2016. (“Metro Annual Report” 2016, p. 166)

As part of the demerger, business expansion and specialization plan, the Group divided its business operations into two focused companies such as Metro Wholesale & Food Specialist (MWFS) AG and Ceconomy AG in July 2017 (“Demerger of METRO GROUP completed - New METRO and CECONOMY commence trading at the stock exchange tomorrow”, 2017).

MWFS is a wholesale and food service business group and dedicated food specialist, which operates in around 35 countries in Asia and Europe. The group operates its business primarily through two segments such as the METRO/MAKRO Cash & Carry and the Real segment. The first business segment operates in the self-service wholesale trade with around 750 wholesale stores in 25 countries. The Real business segment operates around 285 hypermarkets throughout Germany. Further, the group includes four delivery specialist companies such as Rungis Express, Classic Fine Foods, Midban and Pro a Pro. In addition, the group includes the start-up network, METRO Accelerator (“MWFS Corporate Website”, 2017). In July 2017, MWFS and Ceconomy started trading on the stock exchanges.

Ceconomy is involved in the consumer electronics retail. The Company operates through some of the significant brands such as MediaMarkt and Saturn; redcoon online stores, the music streaming service Juke, the live-shopping portal ibood and the service provider Deutsche Technikberatung. Further, the company operates an online advertising company, Retail Media Group. In addition, the company possess minority stakes in LocaFox, a commerce platform; and a purchasing service company for consumer electronics, Flip4New (“Ceconomy Corporate Website”, 2017). In July 2017, the company signed an agreement to acquire 24% stake in Fnac Darty, a French consumer electronics retailer, from Artemis. This acquisition allows Ceconomy to expand its business into the French Market (“Ceconomy acquires 24% stake in Fnac Darty from Artemis”, 2017).

4.2. Target Corporation

Target Corporation (Target or the company) is a retail company, which provides household essentials, apparel and accessories, food and pet supplies, and home furnishings and decor at discounted prices. The company primarily operates in the US. The company recorded revenues of $69,495 million during the financial year (FY) 2016. The net profit was $2,737 million in FY2016 (“Target Corporation Annual Report” 2016, p. 32).

The company operates through a single segment, which includes all of its continuing operations in the US. The US segment includes merchandising operations such as stores and the online business. The company’s general merchandise stores offer food assortment, including perishables, dry grocery, dairy and frozen items; SuperTarget stores offer a full line of food items comparable to traditional supermarkets; flexible and small format store provide curated merchandise and food assortments. The company also sells merchandise through its website, www.target.com. This website offers a wide range of general merchandise, including many items found in its stores and also a complementary assortment, such as extended sizes and colors, sold only online. (“Target Corporation Annual Report” 2016, p. 2).

In March 2017, the company released the design elements of next generation reimagined store, which would be opened in the Houston suburb of Richmond near Grand Parkway Southwest (“Target Reveals Design Elements of Next Generation of Stores”, 2017). In August 2017, the company also disclosed its agreement in relation to the acquisition of Grand Junction,
a transportation technology company, for improving and expanding its delivery capabilities and thereby transforming its supply chain (“Target to Acquire Grand Junction to Expand and Improve Delivery Services for Guests”, 2017).

Target operates through a network of 1,816 stores and 39 distribution centers in the United States. (“Target Corporation Corporate Website -Corporate Fact Sheet”). The company’s Indian operations provide support functions in the fields of analytics and reporting, merchandising, finance, technology, supply chain, human resources and marketing (“Target Corporation India Corporate Website -about us”).

4.3. Woolworths Limited

Woolworths Limited (Woolworths or the Group) is one of the large retail companies, which operates through a network of around 3,000 stores across Australia and New Zealand (“Woolworths Corporate Website - About Us”). The Group recorded revenues of A$55,668.6 million and a net profit of A$1,533.50 million in the financial year ended June 2017. (“Woolworths Annual Report” 2017, p. 54)

The Group operates through five business segments such as Australian food; New Zealand food; Endeavour Drinks; BIGW; and hotels. The Australian Food segment is engaged in the sourcing of food products for resale to customers in Australia. The New Zealand food segment is involved in the sourcing of food and drinks for resale to customers in New Zealand. The Endeavour Drinks segment sources drinks for resale to customers in Australia. The BIGW segment provides discount general merchandise products for the resale to customers predominantly in Australia. The Hotels segment offers leisure and hospitality services including food and drinks, accommodation, entertainment and gaming in Australia (“Woolworths Annual Report” 2017, p. 65).

In May 2017, the group launched the country of origin labelling, a product sampling program, which includes the mandatory labelling of affected products (“Nationwide country of origin labelling education program launched at Woolworths”, 2017). In August 2017, Australian Competition and Consumer Commission (ACC) released its perspectives on the competition issues arising as a result of the proposed acquisition of Woolworths petrol sites by British Petroleum (“BP proposed acquisition of Woolworths petrol sites”, 2017).

5. RESEARCH GAP

After a thorough review of the literature, it is found that the potential of global retail business expansion is not fully captured by the existing body of literature and the retail businesses. The academic research should emphasize on the significant variables such as adaptation to the local business markets, customers, culture and customs, competition, local laws, intangible asset usage, financial strength of the retail company, and the global business experience of the firm.
6. COMPARISON OF KEY PARAMETER’S BETWEEN THREE MAJOR RETAIL COMPANIES

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Metro AG (MWFS + Ceconomy)</th>
<th>Target Corporation</th>
<th>Woolworths Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Business Expansion Strategy</td>
<td>Further Expansion in China, Russia, Turkey and India</td>
<td>Focus on Organic growth within the US</td>
<td>Future Expansion to Asian Countries such as Vietnam or Indonesia</td>
</tr>
<tr>
<td>Human Capital (Approx.)</td>
<td>2,20,000</td>
<td>3,23,000</td>
<td>2,02,000</td>
</tr>
<tr>
<td>Technology</td>
<td>Strong Hold in Technology Sphere</td>
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<tr>
<td>Innovation Strategy</td>
<td>Well Defined Innovation Strategy</td>
<td>Satisfies a need, simplifies life, makes feel great, and affordable to all</td>
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</tr>
<tr>
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<td>Business Risk Mitigation Strategy</td>
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</tr>
<tr>
<td>Training &amp; Development</td>
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<tr>
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<tr>
<td>Career Development</td>
<td>Managerial career development initiatives, transparent leadership models, and regular performance appraisals</td>
<td>Career Planning and Development Programs</td>
<td>Long term career, and technical skill Development programs</td>
</tr>
<tr>
<td>Geographical Presence</td>
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<td>United States</td>
<td>Australia and New Zealand</td>
</tr>
</tbody>
</table>

*Sources: From the Corporate Websites of Metro (MWFS & Ceconomy), Target & Woolworths.

7. DISCUSSION

Metro is a successful international retailing group, which operates in Europe, Asia and Africa. As part of its business expansion and business focus plan, the group followed the strategy of demerger to get divided into two focused companies such as MWFS and Ceconomy. This demerger allows the two companies to operate the businesses independently and expand its business operations globally at a rapid pace with increased customer base and global reach. Further, it would assist the two companies to conduct their businesses with more simplified

http://www.iaeme.com/IJMET/index.asp 298 editor@iaeme.com
corporate structures and allow them to independently pursue potential business acquisitions, mergers and partnerships.

Target Corporation’s strategy for Global business expansion and growth was through physical stores rather than e-commerce in its New Canadian Business. Target marketed its launch through a multiplatform ad strategy such as Television (TV), print, billboards, and social media. The company was unable to translate its successful U.S. concept to Canada and execute there and finally had to exit that market. So, Target should focus more on Organic growth within the US, before planning for the global expansion. The company should also do Effective Research on the domestic business strategies on the countries in which it wants to expand in terms of supply chain management, distribution challenges, and shelf replenishment (Dahlhoff, 2015).

As part of its global business expansion strategy, Woolworths Limited operated in the wholesale consumer electronic market segment in India. But the group was not able to continue the business successfully and profitably, and as a result it had to close its wholesale business operations in India, in 2012. Further, it also discontinued the business operations of Dick Smith Electronics business in Australia and New Zealand in September 2012 (“Woolworths Annual Report”, 2016, p. 124). Woolworths was looking to expand globally, but there were no concrete plans at this stage. But Woolworth has tentative plans of expanding in to Asian countries such as Vietnam or Indonesia after gaining strong foot hold in Australia and New Zealand (Kylie, 2013). In January 2016, the group also exited from the home improvement business segment in Australia. The group’s global business expansion strategy should also consider the macro and micro environment in which it operates and update its business with novel retail strategies.

8. CONCLUSION

The international business expansion for top retailers is also a challenging task. For instance, the French Retailer, Carrefour, exited from the Thailand and Algerian markets, Best Buy sealed its operations in the UK, Tesco declared bankruptcy in-terms of its US-based Fresh & Easy stores, and the big retail giant, Wal-Mart, exited from the South Korean and German markets.

But, there are also successful retailers throughout the globe. The success of such retailers is through the key competitive advantage acquired via the customer experience or the differentiation of products (Galeries Lafayette, J. Crew, Apple, Louis Vuitton, Michael Kors) or cost or price leadership (Uniqlo, IKEA, Zara, Wal-Mart, Aldi, H&M, Amazon). The successful internationalization of the retail business includes thorough adaptation to the local business markets such as the culture and customs, customers, local laws, and competition (Dahlhoff, 2015). Further, the retail companies have to give due importance to the micro and macro environment, supply chain management, distribution challenges, political climate, and the stability of the economies in which they want to expand their businesses for a more meaningful and successful expansion. In addition, an effective global business expansion strategy should be implemented with insight into the future business requirements of the retail companies.
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