Southern New Hampshire University

Cultural Influences on the Development of Marketing Strategy
for
Multinational Retailers

Presented
By

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DEDICATION

To my friends and family that demonstrated great understanding in allowing me to complete this endeavor. To my father who passed on before it could be finished.

ABSTRACT

This paper examines the affects of culture on the marketing strategies of multinational retailers. The paper develops a model of nineteen international retail marketing strategy factors and relates them to the five cultural factors of the Hofstede Model. The paper relates three of these factors (breadth of product assortment, retail format, and speed of retailer expansion) to Hofstede's cultural factors and various economic factors. The findings of the paper are: the cultural factors of power distance and individualism, and the economic factor of population are related to the breadth of product assortment; the cultural factors of power distance and masculinity, and the economic factors of GDP and population are related to retail formats; and the cultural factors of power distance and masculinity, and the economic factor population growth are related to the speed of retail expansion. The significant findings of the paper are: the inverse relationship between the cultural factor of individualism and increases in product assortment; and the positive relationship between the cultural factor of power distance and the increased speed of retail expansion.

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INTRODUCTION

1.1 Background

> "In an astonishing development, the largest corporation in the world in 2002, measured by sales, was Wal-Mart. This retailer exceeded the sales of former world leaders such as General Motors and Exxon. It also indicates that much more analytical attention needs to be directed to retail and other service-related business rather than to just manufacturing multinational enterprises (MNEs). In fact, the main retail companies represent 10 percent of the top 500 MNEs." (Rugman & Girod, 2003)

International retailing accelerated to the forefront of big business with Wal-Mart in the lead having 4,688 stores in 10 countries and employing in excess of 1.2 million associates. (Wal-Marts 2003 Annual report). With these kinds of numbers, one must consider how retailers can grow so large and profitable. Globalization of the firm is the reason. Retailers are penetrating into foreign markets to increase customer bases and revenues. (Kotler & Armstrong, 2004) However, this expansion strategy does not come without risks. Global competition drives out the weak and unprepared. One major area that is essential for firms, especially retailers, to understand is what motivates foreign consumers' market choices. (Fawcett, 1999) This critical factor can mean the difference between failure and success of a firm. (Nakata, 1997)

Prior to examining this factor, one must first relate consumer preferences to business performance. Narver and Slater, in their 1990 work "The Effect of a Market Orientation on Business Profitability," did just this. (Narver & Slater, 1990) Narver and

Slater built a marketing model with customer orientation as a key factor. They theorized that companies that continually concentrate on understanding customer needs could create long-term superior value for the customer thus ensuring profitability of the firm. Later works by Hooley, Lynch & Shepherd (1990), Ruekert (1992), Lichtenthal & Wilson (1992), Jaworski and Kohli (1993), Greenly (1995), Maydeu-Olivares & Lado 1998, Baker, Simpson & Sigauw (1999), and Caruana & Berthon (1999) confirmed the market orientation concept as a key factor in business performance. However, none of these works looked at extending customer understanding beyond that of a single home country.

As businesses grew into the international markets, it became imperative to better understand why a business, successful in America, failed in its foreign markets. One major reason is that firms failed to understand and account for national cultural differences. (Wind, 1986) This led to the 1990 mandate by the Marketing Science Institute to examine national cultural effects on market orientation for the firm. (Deshpande, Farley & Webster, 1993) From this mandate came numerous theoretical and empirical works. The works studied two main areas, the affects of national culture on business performance and the affects of national culture on marketing efforts.

Academic works on national cultural effects on marketing efforts lead to a split in the theory. (Levitt, 1983; Walters, 1986; Wind 1986; and Ghoshal, 1987) On one side, Levitt (1983), Ohmae (1989), Jain (1989), Yip (1989), and Samiee & Roth (1992) argued for the globalization strategy that predicted consumer tastes would converge and marketing efforts should be directed toward standardization of products and marketing strategies. On the other side, Quelch and Hoff (1986), Douglas and Wind (1987), and de

Mooij & Hofstede (2002) contend that standardized global markets are a myth and that each nation requires firms to adapt and customize their products and marketing strategies. Both theories have strong arguments and empirical evidence to support their claims. However, this paper, especially when it comes to retailing, subscribes to the theory that national culture should have an affect on the marketing strategy of the firm.

Retailing is defined to include all the "activities required to sell directly to consumers for their personal nonbusiness use." (Kotler, Hibbard & Grayson, 2004) Moreover, retailers have their own limitations when it comes to marketing strategies. In specific, retailers sell non-unique products that are available at many other stores, online or on television shopping networks. This makes developing effective marketing strategies difficult since consumers can purchase the same product from various sources. ANSOM contends that knowing your customer is essential to retail success. (ANSOM, 2004) Since little can be done about product development, competitive advantage for the retailer is developed through the factors of what merchandise the retailer carries, pricing, services, personnel quality, location, and reputation. (ANSOM, 2004)

Retail marketing strategies are a key component to revenue generation for the retailer. These strategies can mean the success or failure of the company. To market effectively to the consumer, the marketer must understand what motivates the consumer to purchase at their store and not their competitors.

1.2 Statement of the Problem

Numerous authors have studied various market theories and models with respect to national cultural effects. Their works looked at the specifics of marketing tasks to culture (micromarketing view) and the marketing concept to culture (macro marketing view). However, there are no significant works on the view between the micromarketing and the macromarketing in which the realm of marketing strategy falls.

One reason for this is that it is typically a more difficult area to study. Each type of business dictates a different marketing strategy. It is easier to study very specific items, such as culture to product development (Hill & Still 1984; Imai & Takeuchi 1985; Nakata 1996), or culture to product choice. (Fawcett 1999; Luna & Gupta 2001) Or study very broad topics, such as national culture to market orientation. (Deshpande, Farley & Webster, 1993) However, the study of marketing strategy is between the micro and macro marketing views making it difficult to develop theories that are testable. Overall marketing strategy is too broad to practically study, yet not homogeneous enough to relate to as a whole. Therefore, to study this area requires the creation of artificial boundaries.

Since it is such a difficult area to study authors have not published any significant research that may lead to a better understanding of why businesses have failed in their international efforts. Moreover, there is still debate among the academic community concerning the relevance of national culture in regards to customization versus standardization of products and marketing efforts. (Levitt, 1983; Ohmae, 1989; Yip 1989; Deadrick, 1997; Olsen 2001)

1.3 Purpose of the Study

The purpose of this study is to determine what effect national cultural has on the marketing strategies of business. Since marketing strategy is different for each type of business the only way to successfully study marketing strategy to national culture is to limit the study to one specific type of business. In this paper, the author looks to relate the marketing strategy of retailers to the culture factors of foreign markets in order to develop a model that represents how specific national cultures influences the marketing strategy of international retailers.

The study of international marketing strategies for retailers was chosen for several reasons. Retailers face several limitations in their available marketing strategies. The primary one is that they typically do not develop a unique product. Their products come from suppliers that sell to other retailers and sometimes directly to the public. For this reason, product uniqueness is eliminated from the study variables. Also, price of the product may become less important. Since retailers buy from similar suppliers, the overall product pricing difference to the consumer may not be significant between retailers. Although this is a debated topic, Wind (1986) theorizes that long-term advantage cannot come from a low price strategy in retailing. Since retailers are limited in their available marketing strategies, they are ideal candidates to determine if and what national cultural factors influence a retailers marketing strategy.

1.4 Research Problem

There are four major areas to examine in this research. The first area is to determine if national cultural factors affect the marketing strategy of the multinational retailer. Both theoretical and empirical research is examined. This paper seeks to examine and document different theoretical models of national cultural to business to see if they are relevant to this topic. Next, this paper examines empirical studies of culture to marketing to determine if there is any evidence that culture does affect marketing strategies in general.

The second area of research is to determine what national cultural factors do affect the marketing strategy of multinational retailers. There is secondary data from various literature and empirical evidence in this area that will be presented in this paper to help narrow down possible significant national cultural factors.

The third area of research, and the core of this study, is to determine how these national cultural factors affect the marketing strategy of multinational retailers. Through descriptive and prescriptive research the relationship between national culture and marketing strategy for the multinational retailers will be identified, described, analyzed and refined.

The fourth area of research is to determine how the relationship model of national cultural factors to marketing strategy for retailers could be used by the practitioner and the academic to develop better country specific marketing strategies.

1.5 Significance of Study

The question of how national culture relates to marketing strategy is important to scholars and practitioners at several levels. For the practitioner, marketing strategy is one of the key points to profitability for a retailer. Understanding how marketing strategy is driven by cultural will allow marketers to better market their products in the global market and therefore increase performance of the firm. For the scholar, this opens up an entirely new area of research. Past research in this area has been done either on the very micro level (Nakata & Sivakumar, 1996; Hill & Still, 1984; Imai & Takeuchi, 1985;

Boonghee, 1997; Fawcett, 1999; Tse, 1997) or at the macro level. (Deadrick, 1997; Deshpande, Farley & Webster, 1993; Olsen 2001; McDermott, 1997) This work will open up the area in between. By relating marketing strategy to national culture factors, future academic work can begin to sum the pieces of the micromarketing studies into a comprehensive emic view of national cultures cumulative effects on business performance. This study is specific enough to examine the key components, yet is broad enough to encompass the entire field that is relevant to national cultures effects on multinational enterprise's (MNE) retail market strategy.

This proposed research comes at a time of flux between two opposing theories of standardization and customization. This research is an important piece that will better explain the factors of multinational retailers marketing strategies.

CHAPTER 2

DEFINITIONS AND LITERATURE REVIEW[1]

2.1 Definitions and abbreviations:

Culture: "Culture is considered to be the whole system of usual and prevailing implicit practices (values, representations, norms, attitudes, perceptive, cognitive and effective processes) and explicit practices (language, behaviors, know-how, applications of this know-how, intuitions), that are learned, shared and dynamic and define the frame of reference and the way of doing things of the people involved in the retailing channel." (Dupuis & Prime, 1996)

Hofstede Model: "Cultural model that describes the factors or culture by five factors: individualism, uncertainty avoidance, power distance, masculinity and long-term orientation." (Nakata, 1997)

Marketing Orientation: "the organizational wide information generation and dissemination and appropriate response related to current and future customer needs and preferences." (Kohli and Jaworski, 1990)

MNE: Multinational Enterprises

Retailing: "includes all the activities required to sell directly to consumers for their personal nonbusiness use." (Kotler, Hibbard & Grayson, 2004)

Standardization of marketing strategy: "Offering a common marketing program and/or process on a national, regional, or worldwide level." (Chung, 2003)

[1] Definitions, models, concepts, paradigms and strategies referenced and quoted in this chapter are from multiple sources and general knowledge available. General information about these concepts is end referenced.

2.2 Literature Review

2.2.1 The Marketing Orientation Concept

The concept of market orientation was conceived by Narver and Slater in their 1990 work on market orientation to business profitability. (Narver & Slater, 1990) Their efforts were the first to try to quantify previous theories and anecdotal evidence by Kotler (1984), Kotler and Andreasen (1987), Levitt (1960), and Webster (1988). Narver and Slater observed that for over 30 years prior to their work, both practitioners and academics noticed that business performance was affected by market orientation. However, no one had investigated a way to measure market orientation or try to relate it to business performance.

Narver and Slater began by basing their model on the theory of sustainable competitive advantage because for a firm to achieve consistently above-normal performance, it must maintain an advantage over its competition. They theorized that a marketing orientation outlook would create superior value for the customer. This increased value is the sustainable competitive advantage. They developed their model by relating previous literature of marketing orientation's behavioral components to literature on sustainable competitive advantage.

The Narver and Slater (1990) marketing orientation concept is a "one dimension construct consisting of three behavioral components – customer orientation, competitor orientation, and interfunctional coordination – and two decision criteria – long-term focus, and a profit objective." Figure 1, graphical represents their market orientation model.[2]

[2] A full description of the model can be found in the article "The Effect of a Market Orientation on Business Profitability," in the Journal of Marketing, October 1990 edition.

The competitor orientation behavioral component seeks to understand the short-term and long-term effects of present and future competition on the firm. The short-term outlook identifies the strengths and weaknesses of the competitors. The long-term outlook identifies the capabilities and strategies of the competitors. (Narver and Slater, 1990) A firm evaluates its competition by examining their set of technologies capable of satisfying the current and expected needs of the firm's customers.

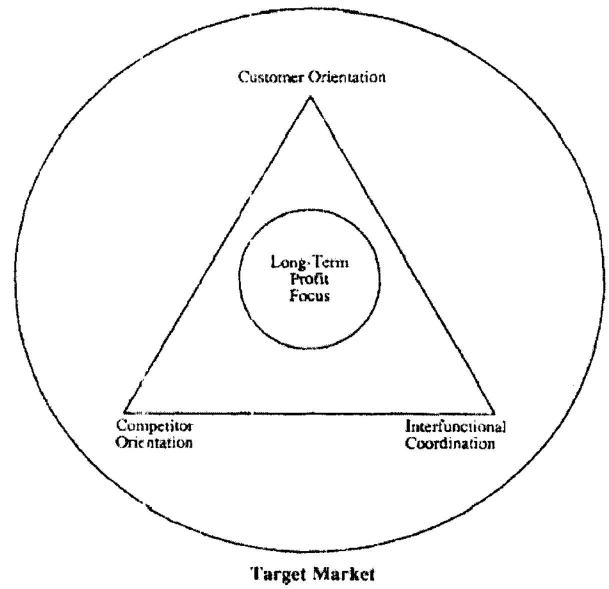

Figure 1: Market Orientation Model
Reprinted from: Narver, John C. and Stanley F. Slater (1990), "The Effect of a Market Orientation on Business Profitability," Journal of Marketing, v54 (October), Pg. 23.

For the purposes of this work, the only variable of concern is the customer orientation component. Customer orientation as defined by Narver & Slater (1990) is "the sufficient understanding of one's target buyers to be able to create superior value for them continuously." Sellers create customer value by increasing customer's benefits or reducing customer's acquisition cost. (Narver and Slater, 1990) Moreover, customer orientation "requires that a seller understand a buyer's entire value chain, not only as it is today but also as it will evolve over time subject to internal and market dynamics." (Narver & Slater, 1990) This view puts serving customer's needs to the forefront of a company's strategy and by doing so the firm can create superior value for its customers and maximize the company's long-term profits. (Narver & Slater, 1990)

Narver's and Slater's marketing orientation concept is the basic theory that is the foundation of how businesses relate to their customers. Their work has been cited in 169 articles according to EBSCO HOST Research Databases and is a foundation theory in this research work.

2.2.1.1 Antecedents and Consequences of Market Orientation

Jaworski and Kohli (1993) used the market orientation model – and the works of Levitt (1969), Porter (1980), and Deshpande, Rohit, & Zaltman (1982) – to explain antecedents and consequences of a market orientation philosophy. A graphical representation of their model is given in Figure 2.[3] Their empirical results from the

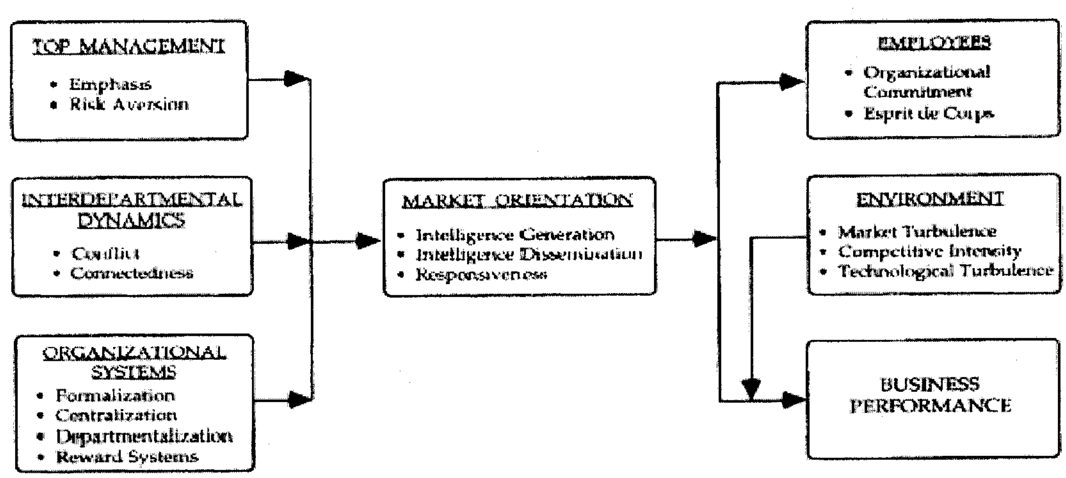

Figure 2: Antecedents and Consequences of Market Orientation
Reprinted from: Jaworski, Bernard J. and Ajay K. Kohli (1993), "Market Orientation: Antecedents and Consequences," Journal of Marketing, v57 (July) 53-70, Pg. 55.

model, indicated market orientation does positively affect business performance. Further,

[3] A complete description of their model is available in their article, "Market Orientation: Antecedents and Consequences" in the Journal of Marketing, July 1993 edition.

they found that this relationship depended on the environmental context in which the firm operated. (Jaworski & Kohli, 1993) Jaworski & Kohli were the first to show and examine that certain cultural factors may affect market orientation outcomes, even though that was not the main point of their work.

The works of Narver & Slater and Jaworski & Kohli are the foundations of the marketing orientation concept and have been studied in hundreds of scholarly works. (EBSCO HOST Research Databases) Moreover, empirical research from Day & Wensley (1988), Hooley, Lynch & Shepherd (1990), Ruekert (1992), Lichtenthal & Wilson (1992), Greenly (1995), Maydeu-Olivares & Lado (1998), Baker, Simpson & Sigauw (1999), and Caruana & Berthon (1999), indicate marketing orientation increases business performance.

2.2.2 The Introduction of National Culture to Business

In 1990, the Marketing Science Institute pushed to examine the affects of national culture on the market orientation concept. (Deshpand, Farley & Webster, 1993) The Institute saw three related developments converging that needed to be integrated. The first was that business planning and strategy became more customer oriented creating a customer-focused, market-driven enterprise. (Deshpand, Farley & Webster, 1993; Houston 1986; Shapiro 1988; Webster 1988) Second, increasing amounts of literature on organizational culture and country cultural comparisons emerged. (Davis, 1984; Deal and Kennedy, 1982; Hofstede, 1980) National culture effects on business now became a respected and written about topic. (Deshpand, Farley & Webster, 1993) Third, there was no literature that measured cultural influences on business performance making this an area ripe for research. (Porter, 1980)

Based on this, the Marketing Science Institute, in its "1990-1992: A Guide to MSI Research Programs and Procedures," declared that understanding the underlying cultural factors as it relates to customer-oriented organizations is one of the four highest priority research topics. (Marketing Science Institute, 1990) This edict leads to a plethora of research, publications and dissertations in this field. Figure 3 graphically outlines the major tracks of the work that came from this edict which is discussed next.

The research and publications (that existed and came forth) after the Marketing Science Institute's challenge followed two main tracks and two areas of research. From Figure 3, the two areas of research are on cultural effects on business performance and cultural effects on the marketing areas of the business.

Research showed that culture affected business performance in four main areas: economic performance (Franke, Hofstede & Bond, 1991), business framework (Gupta, 1996), business operations (Griffeth, Hom, Denishi & Kirchner, 1980; Deshpande, 1982; Tse, Lee, Vertinsky & Wehrung, 1988; Deshpande & Webster, 1989; Richards, 1995), and business strategy. (Hennart & Larimo, 1998) However, the affects of culture appear to be acting through the marketing aspects of the business.

2.2.3 Standardization vs. Customization of International Business Strategy

Examining the two tracks of marketing research that came from the Marketing Science Institute's challenge one can see two distinct ends of the continuum. One end has culture as a key factor to market orientation. (Jain, 1989; Sheth & Parvatiyar, 2001, Buckley, 2002; Chung, 2003) The other end contends that culture has a minimal impact on the market orientation of a company. (Levitt, 1983, Clark, 1990) Both theories are successfully argued with supporting evidence. Recently, Venaik 1999 & Usunier 2000,

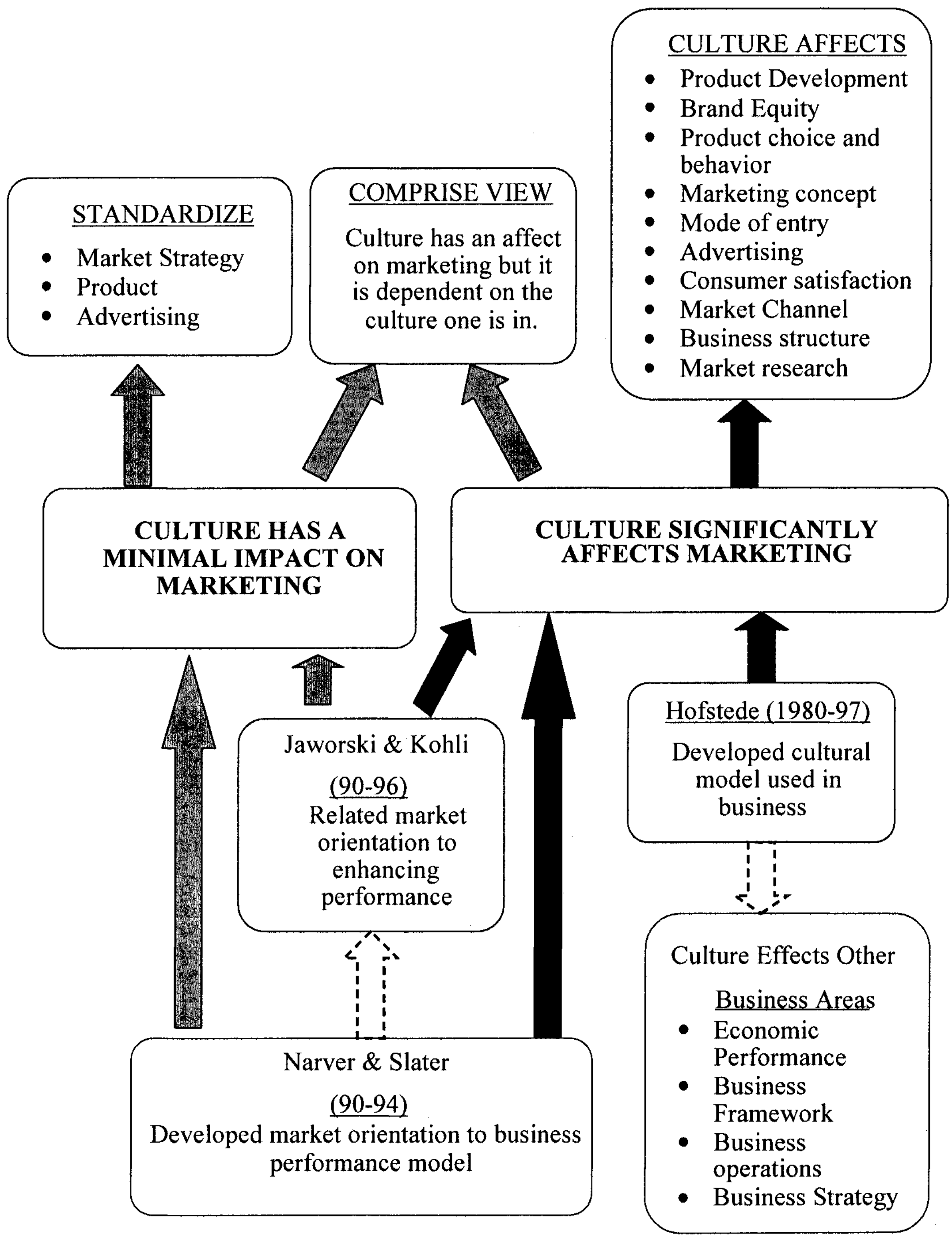

Figure 3
Literature Summary for Culture's Effect on Marketing

proposed a comprise view stating that national culture may have an effect on the marketing concept depending on what national culture one is in. However, there is limited empirical testing to support their work.

Next this paper examines each end of the continuum separately. First examined are the works that argue that culture has minimal impact on market orientation. The theories in this area claim that the world markets are converging to similar customer tastes. (Yip, 1989) With market tastes converging companies can standardize their marketing strategy (Ohmae, 1989; Jain, 1989; Stansifer, 1989; Zou, 1994; Whitelock & Pimblett, 1997; Selnes, Jaworski & Kohli, 1997; Sheth & Parvatiyar, 2001), product offerings (Levitt, 1983; Whitelock, 1987; Ohmae 1989; Yip, 1989; Stansifer, 1989; Chiou, 1996; Chung 2003), and advertising. (Sirisagul, 1998) This end of the continuum has many supporters and empirical evidence to bolster their view that all countries tastes will converge and the future in global marketing is in mass standardization with only minor adjustments made for national culture.

The main reason this view is so popular is that it is a central issue in international marketing management. (Boddewyn and Gross, 1995) Standardization allows international firms to experience economies of scale in the areas of production, promotion, distribution and research and development and to reduce their use of personnel in international operations. (Chung, 2003) Moreover, it improves the companies planning and control procedures in their international operations by allowing more uniformed marketing strategies and providing consistent offerings to the customers. Opponents to standardization contend that this standardization strategy is a myth because consumer needs and preferences, marketing environments, and infrastructures are different across markets.

Next, this paper examines the works that argue that culture is a significant factor in marketing, which is the concentration of this paper. Referring to Figure 3, scholars combined the works of Narver & Slater (1990-1994), Jaworski & Kohli (1990-1996), and Hofstede (1980-1997), and have written on the affects national culture has on marketing in the areas of: product development (Nakata, 1996, 2001), brand equity (Boonghee, 1997), product choice/consumer behavior (Fawcett, 1999; Luna & Gupta 2001), marketing concept (Falkenberg, 1982; Mitchell, 1984; Deshpande, Farley & Webster, 1993; Deadrick, McAfee & Glassman, 1997; McDermott, 1997; Olsen 2001), mode of entry (O'Reilly, 1988; Kogut & Singh, 1988; Morris, Davis & Allen, 1994; Barkema & Vermeulen, 1996; Tse, Pan & Au, 1997; Morosin, Shane & Singh, 1998; Nair & Stafford, 1998), advertising (Simmons, 2003), consumer satisfaction (Senguder, 2001), market channels (Marshall, 2000), business structure (Rodriguez, 1994), and market research. (Deshpande, Rohit & Zaltman, 1982; Sinkula & Hampton, 1988; Menon & Varadarajan, 1992; Moorman, 1995; Maltz & Kohli 1996; Craig, 2001; Steenkamp, 2001) In fact, there are nine doctoral dissertations in these areas.

de Mooij (2003) is a starch opponent to Levitt's view that tastes are converging. de Mooij in fact believes that international tastes are diverging and that any standardization, especially in advertising is doomed to failure. "Converging technology and disappearing income differences across countries will not lead to homogenization of consumer behavior. Rather, consumer behavior will become more heterogeneous because of cultural differences. Retailing strategies for one country cannot be extended to other countries without adaptation." (de Mooij & Hofstede, 2002) Even countries close in cultural proximity to the home country have significant enough differences that adaptation is needed.

2.2.4 Cultural Models

Defining culture is a difficult proposition at best. Various authors have differing opinions on exactly what culture entails. Kroeber & Kluckhohn (1965) outlined the various definitions of culture in Table 1. Hofstede defined national culture as "collective

A.	*Descriptive definitions,* with an emphasis on the enumeration of content. (e. g. by Taylor Culture ... is that complex whole which includes knowledge, belief, art, law morals, custom, and any other capabilities and habits acquired by man as a member of society.)
B.	*Historical definitions,* with an emphasis on social heritage or tradition (e. g. Sapir Culture ... is ... the socially inherited assemblage or practices and beliefs that determines the texture of our lives.)
C.	*Normative definitions,* with an emphasis either on rule or way or on ideals or values and behavior (e. g. Wissler, "The mode of life followed by the community or the tribe is regarded as culture ... [it] includes all standardized social procedures... A tribal culture... is the aggregate of standardized beliefs and procedures followed by the tribe.)
D.	*Psychological definitions,* with four subcategories 1. Adjustment, or culture as a problem solving device (e. g. Ford, "Culture, in the form of regulations governing human behavior, provides solutions to societal problems.) 2. Learning: (e. g. Davis, "Culture...may be defined as all behavior learned by the individual in conformity with a group.) 3. Habit (e. g. Tozzer, "Culture is a rationalization of habit"). 4. Purely psychological definitions: (e. g. Roheim, "By culture we shall understand the sum; of all sublimations, all substitutes, or reaction formations. In short, everything is society that inhibits impulses or permits their distorted satisfaction.")
E.	*Structural definitions,* with emphasis on the patterning or organizing of culture (e. g. Willey, "Culture is a system or interrelated and interdependent habit patterns of response.")
F.	*Genetic definitions,* with three subcategories 1. Culture is a product of artifact (Willey, "Culture is that part of the environment which man has himself created and to which he must adjust himself.") 2. Emphasis on ideas (e. g. Wissler, "Culture is a definite association of complex ideas. 3. Emphasis on symbols (e. g. Bain, "Culture is all behavior mediated by symbols.")

Table 1: Definitions of Culture

Reprinted from: Gupta, Susan Forquer (1996), "Cultural Value Orientations as an Antecedent to the Formation of International Interfirm Relationships: The Development of Cultural Value Dimensions in a Business Context," Dissertation, the University of Tennessee. Available by FirstSearch Online Services. (http://firstsearch.oclc.org) Pg. 21.

programming of the mind which distinguishes the members of one group or category of people from those of another." (Hofstede, 1994) Inkeles and Levinson (1969) had an even simpler definition of culture as a "common or standardized way in a given society." Clark (1990) tried relating the cultural models of Inkeles & Levinson (1969), Hofstede (1980, 1983), Peabody (1985), Eysenck & Eysenck (1968), and Kluchhohn and Stodtbeck (1961), into an integrative theory of cultural behavior. Her work is outlined in Table 2. In general she found that all models were related in some way. Examining her work we find that Hofstede's Model encompasses the three emerging domains that Clark considers important in defining culture for international marketing purposes.

Emerging Domains	**Inkeles and Levinson (1969)**	**Hofstede (1980, 1983)**	**Peabody (1985)**	**Eysenck and Eysenck (1968)**	**Kluckhohn and Stodtbeck (1961)**
Relation to authority	Relation to authority	Power distance	Assertiveness	Psychoticism (tough-mindedness)	Orientation toward human relationships
Relations to self	Conception of self	Masculinity (social ego), individualism	Tightness/ looseness	Extroversion	Perception of human nature (good/evil)
Relations to risk	Primary dilemmas or conflicts	Uncertainty avoidance			

Table 2: Dimension of National Character
Reprinted from: Clark, Terry (1990), "International Marketing and National Character: A Review and Proposal for an Integrative theory," Journal of Marketing, 54 (October), Pg. 73.

Dupuis and Prime (1996) view culture as "complex, dynamic, transmitted and learned areas that have explicit and implicit shared patterns of: the symbolic – shared patterns of meanings; cognitive – shared patterns of information processing; communication – shared systems of communication; and operational aspect – shared scripts guiding action." Moreover, they define culture to include the learned practices of how business is performed extending cultures definition to the international retail field.

Now that culture is defined, we must identify cultural models that have been used to relate culture to the various marketing concepts. Three models have been extensively used, the Hofstede Model, the Bond Model and the Hall Model.

2.2.4.1 Hofstede Model

The cultural model most used in the literature to examine business characteristics is the Hofstede model of 1980 and its amended version of 1984. Hofstede was not the first to examine cultural attributes that could affect business. Studies by Sherif (1936), Adorno, Brunswick, Levinson & Sanford (1950), Raven & French (1958), Schopler (1965), Inkeles & Levinson (1969), Perrow (1972), England (1975), Green & Langeard (1975), Goldhar, Bragaw & Schwartz (1975), Downey, Cobb (1976), and Hellriegel & Slocum (1977), all examined cultural factors that could affect business. It was not until the thorough and complete work of Geert Hofstede that a usable encompassing model was developed.

The development of the Hofstede model is outline in Hofstede's 1980 book, Culture's Consequences: International Differences in Work-Related Values, published by Sage. Michael Bond paralleled Hofstede's work and came up with a nearly identical model as Hofstede, thus giving independent validation to the Hofstede model and modifying the Hofstede model to the five factor model used today. (Hofstede & Bond, 1984; Bond 1987)

The original Hofstede Model is made up of four cultural dimensions: power distance index, individualism-collectivism, masculinity, and uncertainty avoidance index. (Hofstede, 2003)

Power Distance index is defined as the "degree of equality, or inequality, between people in the country's society. It indicates the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally. It's reflected in the values of the less powerful members of society as well as in those of the more powerful ones." (Hofstede, 1980) Societies high in power distance are more "autocratic and accept differences in power and wealth more readily than societies low in power distance." (Nakata & Sivakumar, 1996)

Individualism-collectivism is defined as the "degree the society reinforces individual or collective, achievement and interpersonal relationships. Individualism implies a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only, while collectivism is characterized by tight social framework in which people distinguish between in-group (relatives, clan, organizations) to look after them, and in exchange for that they feel they owe absolute loyalty to it." (Hofstede, 1980) Nakata & Sivakumar (1996) further clarify the definition by stating "societies high in individualism have loose ties among members – everyone looks after his/her own interests and those of the immediate family. Societies with low individualism hold common group values and beliefs and seed collective interests."

Masculinity is defined as the "degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power." (Hofstede, 1980) Even though this dimension is referred to as masculinity it includes the opposite pole of femininity and can be referred to as high/low masculinity or higher in the masculine dimensions/higher in the feminine dimension. However, masculinity is measured by the masculine traits of acquisition of money, assertiveness and lack of willingness to care for others. The values were labeled "masculine" because within nearly all societies, men scored higher in terms of values' positive sense than of their negative sense (in terms of assertiveness, for example, rather than its lack) – even though the society as a whole might veer toward the "feminine" pole. The more the entire society scores to the masculine side, the wider the gap between its "men's" and "woman's" values. (Hofstede, 1980) Nakata & Sivakumar (1996) believe more masculine societies place greater value on "achievement, tasks, money, performance, and purposefulness, whereas more feminine ones emphasize people, the quality of life, helping others, preserving the environment, and not drawing attention to oneself."

Uncertainty avoidance index is defined as the "level of tolerance for uncertainty and ambiguity with the society. Uncertainty avoidance, indicates the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise." (Hofstede, 1980) Nevertheless, societies in which uncertainty avoidance is strong are also characterized by a "higher level of anxiety and aggressiveness that creates, among other things, a strong inner urge in people to work hard." (Hofstede, 1980) Societies low in uncertainty avoidance "work to meet basic needs, are tolerant of various behaviors, and feel relatively secure." (Nakata & Sivakumar, 1996) Societies high in uncertainty avoidance "actively avoid risk and devise means, such as technology, laws and social plans to create a sense of control." (Nakata & Sivakumar, 1996)

The Hofstede model is a well used and referenced model for relating national cultures to business. A search of the Infotrac Data Base shows 1,364 works that include Hofstede's model, which is a strong indicator of the durability of the model.

2.2.4.2 Bond Model

The Bond Model takes its base from the original Hofstede Model described above. Bond independently built a four-factor model that was very similar to the Hofstede Model. After Bond tested his model for validation he independently validated his Model against the Hofstede Model using a Rokeach's Value Survey. The results showed that both models were essentially identical. (Hofstede & Bond, 1984) However, Bond discovered a cultural variable that was left out of the original Hofstede Model. He termed this the Confucian dynamic. Bond found that the Confucian dynamic "focuses on the degree the society embraces, or does not embrace long-term devotion to traditional, forward thinking values. High Long-Term Orientation ranking indicates the country prescribes to the values of long-term commitments and respect for tradition." The long-term outlook is crucial in developing a dedicated work effort that places long-term rewards ahead of instant gratification. In regards to business, it may take longer for businesses to develop. Having a short term outlook suggests instant rewards; change is prevalent because there is no reason to adhere to established practices. (Hofstede & Bond, 1988; Hofstede, 2003) In the later combined works of Hofstede and Bond this dimension was renamed "long-term-outlook." Long-term-outlook was validated and accepted by Hofstede in 1987 and is now part of the Hofstede model. Therefore, the full Hofstede Model consists of five dimensions: power distance, uncertainty avoidance, individualism-collectivism, masculinity, and long-term-orientation.

2.2.4.3 Hall's Model

Edward Hall was a sociologist that first identified two main theoretical dimensions of culture. He defined the dimensions as high context and low context. (Hall, 1983) High context relate meaning of an individuals behavior to the situation. Low context indicates meaning is based on the words used and not on the situation. The importance of this in the study of culture is depending on the non-verbal signals given, messages may be differently interpreted by high context societies. To make sure the message is understood in a similar manner by all requires that the background (culture) of the individuals be the same. However, this is rarely true. Therefore, culture has a direct affect on message delivery and communications. Hall defined this phenomenon as the silent language. (Hall, 1983) Furthermore, Hall identified the silent language to contain "elements of space, material possessions, friendship patterns, agreements across cultures, and time."

Space is the distance between two people having a conversation. This perception of how far this space should be is different in every culture and by situation. In the United States an arm's length is the common distance for friends. Closer friends and intimate friends allow for much closer spacing. However, in Middle-Eastern cultures the distance between casual friendship conversations is much closer. Moreover, close spacing to an American may indicate that the information being communicated is of a secretive nature. Spacing of oneself in a situation also conveys meaning. Having a corner office in the U. S. with many secretaries shows a spatial offset and indicates status and power above others. Other cultures, such as Japan, interpret this as moving away from others and use this office location to indicate that the employee is not worthy of being close to the action.

Material possessions are the learned social meaning of possessions. (Sternquist,

1998) You are what you own as social status is dependent on the possessions you have and display. Society sets your place by your possessions and you purchase possessions to express your wealth and status.

Friendship patterns are the way that people relate to one another. (Hall, 1983) Do they establish long-term friendships? Are they open and upfront or slow to disclose personal information until they get to know you better? Is a friend someone you just met or someone you have known for 10 years? Does one address another by a formal last name or an informal first name?

Agreements across cultures are the way a culture does things. (Hall, 1983) A low context culture relies on the written word, such as contracts, as an absolute and complete document to direct behavior. High context cultures rely on personal friendships and situation over a written contract. In Asian countries contracts are just a start to the business relationship. They are there to be modified and discussed. The current situation overrides the clauses of the contract.

Time is broken down into two types of observable time frames, monochronic time and polychronic time. (Hall, 1983) Monochronic time refers to time in a linear fashion. Each item is scheduled for a certain time and the times do not overlap. Polychronic time is time in a multiple fashion. Time has less meaning to the events around it allowing multiple items to be scheduled for the same time. The event becomes the important item not the time the event supposed to start and stop. An example of monochronic time is the U.S. model of scheduling appointments one after another without overlap. The Indian society schedules multiple things at the same time devoting part of the scheduled time to each person in a random fashion. (Sternquist, 1998)

2.2.4.4 Relating Cultural Models

There are many more additional models then Hofstede's, Bond's, and Hall's that discuss various cultural measurements. However, in the study of retailing to culture, these three models seem to be prevalent in the writings. Next, the author relates these models and discusses the similarities and differences in order to determine which model or combination of models are best for this study. Table 3 relates the dimensions of the above three models for easy comparison.

Looking at the Table 3, one sees that the Hofstede and Bond Models combined into a model with five dimensions that can be used to represent culture. Comparing the combined Hofstede/Bond Model to Hall we see that Hall's dimensions fit into the five dimensions of the Hofstede/Bond model. The full five dimension Hofstede/Bond Model is most commonly referred to as the Hofstede model.

Hofstede Model	Bond Model	Hofstede/Bond Model	Hall Model
Individualism - collectivism	Duplicated Hofstede's work for these four dimensions	Individualism - collectivism	Monochronic time, Polychronic time, Space, Friendship Patterns
Uncertainty avoidance		Uncertainty avoidance	Agreements across cultures
Power distance		Power distance	Space, Material Possessions, Friendship Patterns
Masculinity		Masculinity	Material Possessions
	Confucianism	Long-term-orientation	Friendship Patterns

Table 3: Relating Cultural Dimensions of Hofstede, Bond and Hall Models

Individualism-collectivism dimension of the Hofstede model correlates to monochronic time, polychronic time, space, and friendship patterns in the Hall Model. Uncertainty avoidance dimension correlates to agreements across culture dimension. Power distance dimension correlates to space, material possessions, and friendship patterns dimensions. Masculinity dimension correlates to material possessions and long-term-orientation correlates to friendship dimensions.

The use of the Hofstede model is indicated for this study. Nakata and Sivakumar (1996) did a similar marketing study for which they used the Hofstede Model. There reasons were:

1. "The behavioral of values approach used to identify these dimensions is useful for tackling the concept of national culture and raising the prominence of national culture as an important subject of scholarly inquiry.
2. Hofstede's (1980) study – from which four of the five dimensions were derived – is regarded as the most extensive examination of cross-national values in managerial context.
3. Validity for all dimensions but Confucian dynamic (later referred to as long-term outlook) is established through correlations from 38 other studies that compare between 5 and 39 countries (Hofstede, 1980 p. 11). Furthermore, independent studies identify the same of similar dimensions, indicating their systematic occurrence in many different cultures."

Therefore, this author considers the Hofstede model to be a reliable model to use for this paper in the examination of culture to marketing strategies used in retail businesses.

2.2.4.5 Critics Review of Cultural Models

The Hofstede model and other cultural models are not without their critics. (McSweeney, 2003; Triandis & Suh, 2002; Gupta, 1996; and Luna & Gupta, 2001) Triandis & Suh (2002) believe that Hofstede's Model did not include emic (culture-specific) traits. Moreover, that since only Western cultures have been studied the sample is not large enough to determine all the traits throughout all countries. McSweeney (2003) believes the analysis is flawed in the measurement and definition of the cultural dimensions. Gupta (1996) identified representativeness of the sample, the validity of the claims made by Hofstede concerning the application of he dimensions, the ethnocentrism of the items used to measure the dimensions, and the weakness of he items' ability to serve as a set of measures for the dimensions identified as possible problems with the model. In addition, other scholars have built on Hofstede's work contending that there should be more than the five factors listed. (Sivakumar & Nakata, 2001) However, limited empirical support is given on this view.

In all, there seems to be few critics of the Hofstede Model and Hofstede has rebuffed many of their claims. (Hofstede, 2003)

2.2.5 Culture and Marketing – Significant Works

To begin study in the area of cultural influences on the development of marketing strategy for multinational retailers one needs to examine how culture affects business marketing strategy in general and then address the specific strategies available to multinational retailers. To address culture to marketing strategy the literature was reviewed. The author found that there were several publications in this area. A publication by McDermott (1997) examined the "turbo marketing" strategy used by Korean auto producers to successfully penetrate the European market. The publication is a case study relating an existing marketing strategy to a new industry and new foreign market. It studies why "turbo-marketing" was successful and gives an academic view.

A dissertation by Falkenberg (1982) examined how cultural differences affected the economic success of Japanese auto makers competing in the U. S. auto market. Falkenberg concluded that cultural differences of cooperation and long-term outlook (components of Hofstede's model) were key components to the Japanese's success in the U. S. auto markets. (Falkenberg, 1982) Moreover, he felt that the field of marketing has paid little attention to the cultural variables that contribute to the success of international marketing strategy.

A dissertation by Boonghee (1997) used Hofstede's model to examine national differences in brand equity formation and found that national culture did effect the perception of brand equity and the buying patterns of consumers. Moreover, he found that marketing strategy resulted in the brand equity formation process. (Boonghee, 1997) His work resulted in the development of a global framework of brand equity and identifying the significant role of culture on the performance of marketing efforts on brand equity. (Boonghee, 1997) Boonghee's research method used a qualitative questionnaire approach that he evaluated with a two-step structural equation modeling technique of latent variable interaction estimation and a moderated regression analysis technique.

Simmons & Schindler (2003) performed a similar work examining cultural differences effect on advertising. They found that cultural superstitions did significantly affect advertising perception by consumers. There research methods used a qualitative survey technique. The analysis of the data used descriptive analysis and correlation analysis techniques.

Senguder (2001) dissertation used Hofstede's cultural factors for a comparative analysis between Turkish and American consumers on their perceptions of customer satisfaction. He found that culture did affect customer satisfaction. Senguder also used qualitative surveys as the main data collection method.

Steenkamp (2001) publication used Hofstede's model to develop theories on cultures affects on collecting marketing research. She hypothesized that national culture affects data gathering and marketing research analysis. In essence, marketing research techniques would need to be modified due to national cultural differences. Steenkamp provided no empirical research work in this article.

Deshpande, Farley & Webster (1993) examined culture to customer orientation to business performance. They focused in on the culture of Japanese firms in a case study type approach. They found that culture did affect customer orientation and that affected business performance. Their research developed a model of organizational business types shown in Figure 4. Their research method used a double dyad interview technique.

Two studies examined country-specific product adaptation. Hill & Still (1984) did an empirical study on the need to adapt products to different countries. Their study used qualitative surveys to gather data and descriptive analysis technique to present the data. Nakata & Sivakumar (1996) developed a theoretical model to test the relationships of national cultural factors to product development. Figure 5 shows their model and the testable hypothesis. The authors used the five dimension model of Hofstede for the cultural factors. They then theorized how each factor would affect the product development process. Their theories were born from comparing previous literature on the factors of successful product development efforts to factors of the Hofstede cultural model. Marrying the factors of both models resulted in the testable hypothesis. In this

ORGANIC PROCESSES (flexibility, spontaneity)

TYPE: Clan	**TYPE: Adhocracy**
DOMINANT ATTRIBUTES: Cohesiveness, participation, teamwork, sense of family LEADER STYLE: Mentor, facilitator, Parent-figure BONDING: Loyalty, tradition, interpersonal cohesion STRATEGIC EMPHASES: Toward developing human resources, commitment, morale	DOMINANT ATTRIBUTES: Entrepreneurship creativity, adaptability LEADER STYLE: Entrepreneur, innovator risk taker BONDING: Entrepreneurship, flexibility, risk STRATEGIC EMPHASES: Toward innovation, growth, new resources
INTERNAL MAINTENANCE (smoothing activities, Integration)	**EXTERNAL POSITIONING (competition, differentiation)**
TYPE: Hierarchy	**TYPE: Market**
DOMINANT ATTRIBUTES: Order rules and regulations, uniformity LEADER STYLE: Coordinator, administrator BONDING: Rules, policies and procedures STRATEGIC EMPHASES: Toward stability, predictability, smooth operations	DOMINANT ATTRIBUTES: Competitiveness, goal achievement LEADER STYLE: Decisive, achievement-oriented BONDING: Goal orientation, production, competition STRATEGIC EMPHASES: Toward competitive advantage and market superiority

MECHANISTIC PROCESSES (control, order, stability

Figure 4: A Model of Organizational Types

Reprinted from: Deshpand, Rohit, John U. Farley and Frederick E. Webster, Jr. (1993), "Corporate Culture Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis," Journal of Marketing, v57 i1 (January) Pg. 25

work the authors did not do any empirical testing. However, Nakata continued this stream of work into her dissertation were she used the same theoretical techniques to examine cultural effects on the market orientation concept. (Nakata, 1997) Nakata's dissertation used a single multinational pharmaceutical company to test her model. She concluded that culture did have an effect on various components of the market orientation concept. She used a case analysis approach based on qualitative surveys and interviews.

Based on examination of the literature above several points are gleamed. The first is that Hofstede's model was used in a similar fashion in all studies. Hypotheses of how

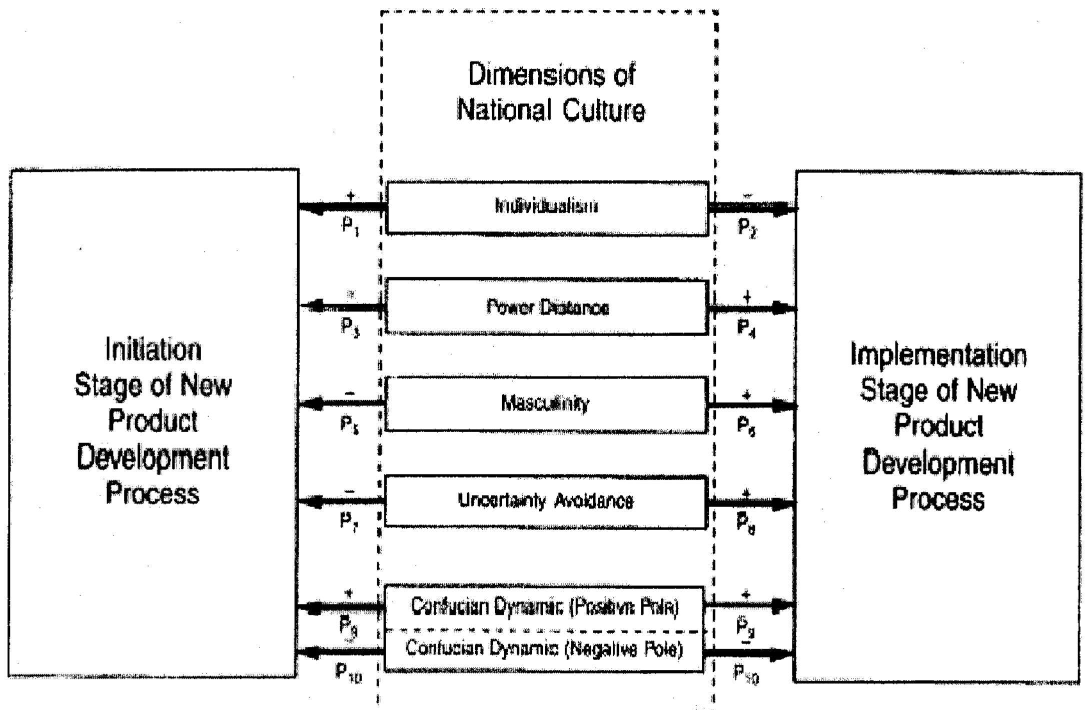

Figure 5: A Model of National Culture and New Product Development
Reprinted from: Nakata, Cheryl and K. Sivakumar (1996), "National Culture and New Product Development: An Integrative Review," Journal of Marketing, 60 (January), Pg. 68.

each cultural factor affect the specific marketing area are developed from previous literature. Second these hypotheses are tested using either a comparative analysis, case study, or survey approach. Third, data is gathered in a qualitative survey/interview fashion.

An area that has been overlooked in this stream of literature and dissertations is how Hofstede's cultural factors influence the development of marketing strategies for multinational companies. Much has been written approaching this topic but no work on cultural factors effects on marketing strategies. Moreover, there are few works on national culture effects on the retail industry. Most works are done on specific products or businesses. With the emergence of retailing as a lead figure in the globalization of business this is a key area for research from both the perspective of the scholar and the practitioner.

With limited academic work in this specific field, and global retailing moving to the forefront of big business, research in this area is critical to academics and practitioners.

2.2.6 Retailing

2.2.6.1 Defining Retailing and its Importance in Business

There are many different definitions of retailing. Dunne and Lusch (2005) give two definitions. "Retailing is responsible for matching the individual demands of the consumer with vast quantities of supplies produced by huge range of manufactures," And "retailing is the final activities and steps needed to place a product in the hands of the consumer or to provide services to the consumer. It includes store, through the mail, over the telephone, through the Internet, door to door, or through a vending machine sales." The Journal of Retailing defines retailing as "a business that sells products and/or services to consumers for their personal or family use." The common point in the definition of retailing is that retailing is the final step in the channel process of getting the goods to the personal consumer. How a retailer does this is in their strategy.

There are many types of retailers and they can most easily be classified by what type of stores they operate. Next we examine and compare three separate authors' classifications of retail stores.

Perreault & McCarthy (2002) state retail stores usually fall into the categories of specialty shops, department stores, supermarkets, discount houses and superstores. (Perreault & McCarthy, 2002, p 361) Specialty shops have limited selection, are high priced, and have a distinctive personality associated with them. (Perreault & McCarthy, 2002, p 360) Department stores are larger stores that are organized into separate departments and offer many product lines. (Perreault & McCarthy, 2002, p 361) Supermarkets are large stores specializing in groceries with self-service and wide assortments. (Perreault & McCarthy, 2002, p 362) Discount houses offer products to member customer for a lower price. (Perreault & McCarthy, 2002, p 363) However, selection may be limited. Superstores carry an extensive line of items much like a department store, only the selection and size is far greater. Some superstores include other stores. (Perreault & McCarthy, 2002, p 364) In the case of super Wal-Marts, a super department store is combined with a grocery store for one stop shopping.

Sternquist (1998) looks at five types of stores: mass merchandisers, convenience stores, warehouse clubs, supermarkets, and specialty stores. Mass merchandisers are large retailers, carrying a large variety of merchandise and competing for consumers mainly on the basis of price. (OIC, 2005) These include stores such as Wal-Mart, K-Mart, and Sears. Convenience stores are retail stores that offer high accessibility, extended hours, and fast service on selected items. (OIC, 2005) They are usually small stores that are located within a close drive or along a major route. Warehouse clubs are large retail stores that contain a wide assortment of merchandise, require self-service, provide bulk items at a discount price and require shoppers to pay a yearly membership fee. There are usually few frills and service and the retail floor format is a large open warehouse atmosphere. Moreover, the availability of certain items is sporadic. Supermarkets are large, low-cost, low-margin, high-volume, self-service store that carries a wide variety of food, laundry, and household products. (OIC, 2005) Specialty stores are retail stores that carry a narrow product line with a deep assortment within that line. (OIC, 2005)

Pellegrini (1991) presents three main types of retail operations: mass retailing, specialized retailing, and specialized and targeted retailing. Mass retailing is defined as non-specialized assortments: supermarkets, hypermarkets, and discount stores in food; department and variety stores in non-food. Specialized retailing is normally based on large stores whose main characteristic is to offer consumers a wide choice of items within a given consumption function through maintaining a mass market orientation. They can be regarded as a development of the traditional formula of mass retailing: the principles of mass retailing are transferred into specific lines of business in the attempt to maintain its operational procedures and achieve economies of scale. At the same time, specialization allows for a greater variety and a better sampling of items available within the chosen line of business. Specialized and targeted retailing are characterized by segmentation within a given consumption function. They serve specific groups of consumers and are normally based on smaller stores with limited assortments. The large majority of chains based on franchising are instances of this kind. (Pellegrini, 1991)

Combining the three authors work in Table 4 below, we see the similarities of the three types of retailing operations. Since the types of retail operations are a critical factor in this study we will combine the three operations and define retail operations to be: specialty stores, department stores, supermarkets, warehouse clubs, mass merchandisers, and convenience stores.

Perreault & McCarthy (2002)	Sternquist (1998)	Pellegrini(1991)
Specialty Shops	Specialty Stores	Specialized and Targeted Retailing
Department Stores		Specialized Retailing
Supermarkets	Supermarkets	Mass Retailing
Discount Houses	Warehouse Clubs	
Superstores	Mass Merchandisers	
	Convenience Stores	

Table 4: Classifications of Retail Stores by Retail Operation

To examine the importance of retailing one must examine the relationship between consumer demand and resource allocation, and how retailing affects the economy as a whole. Dunne & Lusch (2005) said it the best, "a strong retail sector improves a countries people well-being." Retailers are the key in the marketing channel that closes the spatial separation between the consumer and the goods. Retailers act as gatekeepers of products. The true value of retailing is that it identifies the needs and wants of the consumer and transmits those needs to the producers of products. (Dunne & Lusch, 2005) In doing so it transmits other critical data of how much money a consumer is willing to pay for an item, when that item must be delivered, and what characteristics of the item are important to the consumer. The self-governing economic theory of supply and demand regulates the exchange and with the presence of competition the process will distribute the resources in a way that are most economical and beneficial to the consumer. Moreover, retailing has made a significant contribution to the economic prosperity that we enjoy so much. (Dunne & Lusch, 2005)

2.2.6.2 Artificial Constraints on Retailing

There are two major types of constraints to retailing, legal restrictions and resource restrictions. All countries regulate retailing through local, state, federal, and international laws. This is done to protect the consumer and the business. However, different localities have different laws that regulate retail operations. Some of these laws artificially restrict the self-governing mechanism of supply and demand. Two of the most intrusive regulations involve store location and store hours. Retailers must have a physical presence in the market. (Sternquist, 1998) This presence is in two forms, time and place. The retail store must be in a place where consumers will go to it. Also, the store must be open so the exchange of products for cash can take place. Artificially regulating this environment of time and place restrict the marketing strategies of retailers. Another governmental regulation that is also of concern is the restriction of store size. This directly affects the ability for the store to carry the depth and breadth of product assortments.

Resource restrictions also affect retailing. Sternquist and others all profess the importance of location for a retail operation. However, land and locations are in limited quantity mostly due to population density constraints for a store location. For a retail store to survive it must have access to its market in sufficient numbers to support its operation. Since there is a population already occupying the area, finding a location of sufficient size and consumer access can be an artificial restriction that will affect the retail strategy.

The author has identified several artificial restrictions that can affect the retail strategies. Several authors (Sternquist, 1998, et al.) believe that these restrictions may have a basis in a society's culture. Moreover, as we relate various international cultures to retail strategies we will again visit these constraints to see how cultural variable artificially restrict retail strategies in a not so obvious way.

2.2.6.3 Retailing Strategies

Retailers are much more limited in the number of marketing strategies available to them. (Perreault & McCarthy, 2002) One reason for this is that most retailers only sell another's products and have limited control over product development. A second constraint for retailers is location. A bricks and mortar retailer must be located within a convenient distance for its customer. This has changed a little with the advent of online shopping but it is still a constraint. Retailers also face price constraints since it must purchase its product from suppliers that may also sell to a retailer's competition.

According to Forbis & Mehta (1981) the basic concept of a retailing is a "retailer has numerous alternative opportunities for creating additional buyer value through increasing a buyer's benefits and/or decreasing a buyer's total acquisition and use cost." To achieve this superior performance a retailer must develop and sustain a competitive advantage. (Slater & Narver, 1994) Delivering this competitive advantage is done through consistently delivering superior value to the customer. Narver and Slater expounded this idea though the marketing orientation concept which is the basis of retail success. Unfortunately, the theory is rather broad and needs to be narrowed down to practical and measurable terms for retailing. Two major theories assist us in this quest, Theodore Levitt's (1980) theory of differentiation and Michael Porter's (1980 & 1985) theory outlining the factors of competitive advantage. Wroe Alderson (1998) developed a theoretical sorting concept that can also generate a competitive advantage.

2.2.6.3.1 Levitt's Differentiation Strategy

Levitt's strategy assumes that there is no such thing as a standard commodity, all goods and services are differentiable. (Levitt, 1980) This differentiation is the lure that attracts consumers to one retailer over another. Levitt believes that a business must create and continuously augment its product. In the case of retailing, these are the various retail marketing factors that will be discussed in section 2.2.6.3.3. The basics of differentiating can also be explained using the market structure approach. There are four main types of market structures: perfect competition, monopolistic competition, oligopolies, and monopolies.

Perfect competition has many buyers and sellers none of whom have the market dominance to control the price or quantity – these are determined by the market. The product is homogenous, resources are mobile, suppliers have easy entry and exit to the market, and there is an open knowledge of market information.

Monopolistic competition has many buyers and sellers. The sellers differentiate themselves in some fashion which allows them some market advantage. Market information is less than perfect, consumers are willing to pay a higher price for successfully differentiated products, and market entry and exit is fairly easy.

Oligopolies are a few large interrelated sellers and many buyers. The product can be differentiated or homogeneous. Market entry usually has some barriers to entry or exit. The sellers determine their pricing and production decisions based on competitors moves.

Monopolies are single seller and many buyers. Market information is imperfect. The seller can regulate price or quantity but not both. Market entry is nearly impossible and products are usually unique.

Levitt's work, as it relates to retailing, falls within the monopolistic competition structure. Each retail store is different even if it carries the same merchandise. These differences can be in price, service, location or many other factors. Therefore, how a store utilizes its factors of retailing strategy will determine the level of differentiation in the monopolistic competitive market structure.

2.2.6.3.2 Porter's Competitive Advantage

Unlike the generality of Levitt, Porter defines specific factors that a company needs to hold a competitive advantage in to be successful. The three factors are cost leadership, differentiation, and focus. (Porter, 1980 & 1985) Porter defines the factors as: "cost advantage – the firm is able to deliver the same benefits as competitors but at a lower cost; and differentiation advantage – firm is able to deliver benefits that exceed those of competing products." Porter defines positional advantage as being either cost or differentiation because they define a company's position in the industry. (Competitive Advantage, 2005) Focus is when the firm looks to be the best in a segment or group of segments. This can be done in various ways including through cost and differentiation in those specific market segments.

Porter's competitive advantage also falls within the market structure of monopolistic competition. With competing firms in the retail industry having substitutable products, some type of competitive advantage in any of these three areas is a necessity.

Kean, Gaskill, Leistritz, Jasper, Bastow-Shoop, Jolly (1998) and Sternquist (1998) examined the size of retail firms to Porter's competitive advantage framework. They theorized that larger retailers with standardized products have greater access to sophisticated technology, economies of scale and distribution channels, and therefore, would position themselves as cost leaders. Where smaller retailers, that do not have those advantages, must use differentiation and focus as a competitive advantage. However, smaller retailers were shown to be more flexible and speedier in responding to consumers.

2.2.6.3.3 Alderson Theoretical Sorting Concept

Wroe Alderson developed a theoretical concept of sorting that has the four factors of: standardization, accumulation, allocation, and assortment. Standardization involves collecting uniform products from different suppliers. Accumulation is the process of matching supply and demand and consists of assembling standard products into large quantities. Allocation is the process of determining what supply a store must carry to satisfy customer demand. Assortment is a customized selection of merchandise to satisfy a specific target customer. (Sternquist, 1998) This model is much more specific than Levitt or Porter but it emphasizes that retailing strategies must come from specific differentiation or competitive advantage in specific areas. In the case of Alderson, this area differentiated the supply side of retailing or its marketing channel as a competitive advantage factor. To study the specifics of retail marketing strategies one needs to identify the factors involved.

2.2.6.3.4 Individual Factors of Retail Strategy

The marketing strategies for retailers revolve around several key individual factors. The difficult part is getting agreement on what these factors are. In an effort to resolve these differences this paper examines thirteen different authors' ideas of what factors to include in retail marketing strategy. Next, the factors will be compared and evaluated to determine what retail strategy factors will be used in this study.

Kotler & Armstrong (2004) identified product price, store services, store branding and reputation, advertising and promotion, store location, product line, product placement, and product selection as factors in the retail strategy.

Perreault & McCarthy (2005) identified the following factors in retail strategy:

1. Convenience (available hours, finding needed products, fast checkout, location, parking)
2. Product selection (width and depth of assortment, quality)
3. Special services (special orders, home delivery, gift wrap, entertainment)
4. Fairness in dealings (honesty, correcting problems, return privileges, purchase risks)
5. Helpful information (courteous sales help, displays, demonstrations, product information)
6. Prices (value, credit, special discounts, taxes or extra charges)
7. Social image (status, prestige, "fitting in" with other shoppers)
8. Shopping atmosphere (comfort, safety, excitement, relaxation, sounds, smells)
9. Retail format (the layout of the store and the products in the store)

Salmon and Tordjman (1989) identified assortment, service, price, promotion, and décor as factors in the retail strategy. Service is defined as the level of associate sales help available to the customer. Décor is defined as the interior aesthetic layout of the retail establishment.

An ANSOM (2004) report identified the retail strategy factors of: merchandise, price, service, personnel, location, reputation, personal selling, visual merchandising (how products are presented in the store), advertising, sales promotion, public relations (store reputation) and branding. Location refers to the physical location of the establishment and not product placement within the store. For this work, ANSOM considers public relations equivalent to the perceived reputation of the store in the consumers mind.

Dunne and Lusch (2005) identified the retail strategy factors of: physical differentiation of the product, the selling process, after purchase satisfaction, location, and never being out of stock on an item. Physical differentiation is how similar products are adjusted to give them perceived differences to customer. Adding in features increases in quality and product branding fall into these categories. The selling process is a bit harder to classify into a single factor. The selling process consists of determining the customers needs, providing the customer information needed to make a decision on what to buy in order to satisfy his needs, determining if product modifications are needed to meet a customers needs, agreeing on a price and delivery time, and consummating the sale. To simplify this factor, the selling process will be equated to personal selling. Never being out of stock on an item is defined as equivalent to product selection, if this product is not there it cannot be selected.

Sternquist (1998) addressed several retail strategy factors throughout her book on retailing. She identified branding as a key issue. Branding merchandise involves working with the manufacturer to make a distinctive product only for that retail business, items such as private labels. Branding is example of differentiating an item to gain a higher price in the monopolistic competitive business structure. Sternquist did not believe discount retailers could develop without first developing strong national brands. The contention was that consumers believe cheaper prices meant cheaper products. Branding is an indication of quality changing the consumers view from cheaper product to quality product for discount prices.

Consumer life-time value was equated to long-term customer loyalty through extending store services to include credit for a customer. (Sternquist, 1998) Sternquist also examined distinctive retail formats to include self-service stores like Wal-Mart where consumers actually have direct access to the products versus a needing a sales person to retrieve a product.

McCune (1994) examined the strategic retail factors of customer service, merchandise selection and quality, and pricing. She looked at these factors in specific to see how a small retailer could distinguish itself form a large retailer. She believed that smaller retailers could compete on a limited pricing competition.

McIntyre and Miller (1999) studied the selection and pricing of retail assortments. The strategic retail factors they felt were used to distinguish between retailers was product assortment and price.

To simplify and compare the above factors, Table 5 relates all the retail strategy factors from the previous authors work. Examining the table we rate each factor by how

Kotler & Armstrong (2004)	Perreault & McCarthy (2005)	Salmon & Tordjman (1989)	ANSOM (2004)	Dunne & Lusch (2005)	Sternquist (1989)	McCune (1994)	McIntyre & Miller (1999)
Product price	Price Credit	Price	Price		Credit	Price	Price
Store services	Special services		Services		Services		
Store branding			Branding (store)				
Store reputation	Fairness in dealings Social image		Reputation Public relations	After-purchase satisfaction			
Advertising & Promotion		Promotion	Advertising Sales promotion				
Store location	Convenience (location & Parking)		Store location	Store location			
Product line	Product Selection (assortment)	Product assortment	Merchandise			Merchandise selection	Product assortment
Product placement	Retail format Convenience (finding needed products)		Visual merchandising		Retail format		
Product selection	Product selection (depth)			Never being out of stock			
	Shopping atmosphere	Décor					
	Convenience (fast checkout) Helpful information (Sales help, product information)	Services (sales associate help)	Personnel Personal selling	Selling process		Customer service	
					Retail growth to lower costs		
	Product Quality		Branding (product)	Physical differentiation of the product	Branding (product) Product quality	Product quality	
	Convenience (Store hours)						

Table 5: Comparison of Retail Strategy Factors

many times an author referenced it. In doing so, we find product price was referenced by seven authors as a marketing strategy factor. Price included the actual price, sales price and credit. Credit is included because extending credit to a customer changes the product price by making the initial purchase layout smaller.

Product assortment was referenced by six authors as a marketing strategy factor. Product assortment is the number of different products a store carries. It does not include the number or each product carried, which is covered later.

The factors of product branding and customer service factors were referenced by five authors. Product branding is the customer's perception of the product and the products attributes. This includes perceived product differentiations such as quality and desirability. Customer service quality is the helpfulness, friendliness of service, product information/recommendations, and the ability to help the customer with a purchase. It also includes how long a check out line is since this item relates to customer service quality.

The factors of store services, store reputation, the physical location of the store, and store retail format were referenced by four authors. Store services are the extra services the store provides that are not directly related to the selling of products. These services include gift wrapping, in-store restaurants, and extending customer credit. Store reputation is the stores fairness in dealing with customers and includes honesty and item return policies. Physical location of the store is where the store is located and involves how easy customers can get to and from the store, and parking. The retail format is discussed as the store layout and the product layout in the store. These items are directly affected by the type of retail operations and therefore retail format can be described by the six types of retail operations discussed in section 2.2.6.1 that are: specialty stores, department stores, supermarkets, warehouse clubs, mass merchandisers, and convenience stores.

The factors of advertising & promotion and product selection were referenced by three authors. Advertising and promotion are the marketing activities used to influence the customers into buying in that store. Product selection is the depth of a product to include various sizes and colors the product comes in.

The factors of company social image, store branding, and shopping atmosphere were referenced by two authors. Company social image is how the company is perceived as a community member. It includes both national and local perceptions that include how environmentally friendly the company is, how much the company gives to the community, and how fairly the company treats its workers and supply chain. Store branding is how the company is perceived as a retailer by its customers. Is it high priced exclusive, low price good quality, or specialty items? Store branding is how the retailer differentiates itself from other retailers. Shopping atmosphere is how comfortable the shopper is in the store. Is the store clean, well lit, and safe? Does it have customer bathrooms? Is it handicapped accessible? These are all factors that contribute to the shopping atmosphere of the customer.

The factor of store hours of operation was referenced by one author. This includes stores daily hours, weekend and holiday operation schedule. It identifies when consumers have access to the store for shopping.

One author addressed retail growth to lower costs as a marketing factor. Since retail growth is not viewed by the consumer, only the lowering of prices, this item was included in the product price factor.

After reviewing and combining the strategic retail factors we are left with fourteen factors that are specific enough to relate to retail marketing strategies. The factors are: product price, product assortment, product branding, customer service quality, store services, store reputation, physical location of store, retail format of store, advertising and promotion, product selection (depth), company social image, store branding, shopping atmosphere, and store hours of operations.

These above factors are driven by customer needs and expectations. However, customer needs and expectations are shown in the previous literature to be effected by their national culture. Therefore, to build an effective marketing strategy in retailing one must understand the affects of culture. As retailers move into global markets they change the culture of their most critical asset, their customers.

2.2.6.4 International Business Theory

International business theory begins with trade. Why do business in other countries? Because that country has something that you want and the only way to get it is through some type of trading. Daniels and Radebaugh (1998) identified and compared ten types of trading theories. The theories are: mercantilism, neomercantilism, absolute advantage, country size, comparative advantage, factor-proportions, product life cycle, country similarity, dependence, and strategic trade policy. Table 6 compares the theories along several factors that fall into two main categories, description of natural trade and prescriptions of trade relationships. A full description of these theories can be found in book, International Business, 8th editions by Daniels and Radebaugh. The two theories of primary concern to international business as it applies to retailing are the factor-proportions theory and the product life cycle.

Theory	Description of natural trade			Prescriptions of trade relationships			
	How much is traded?	What products are traded?	With whom does trade take place?	Should government control trade?	How much should be traded?	What products should be traded?	With whom should trade take place?
Mercantilism				Yes	X	X	X
Neomercantilism				Yes	X		
Absolute advantage		X		No		X	
Country Size	X	X					
Comparative advantage		X		No		X	
Factor-proportions		X	X				
Product life cycle (PLC)		X	X				
Country similarity		X	X				
Dependence				Yes		X	X
Strategic trade policy		X				X	

Table 6: Emphases of Major Theories

Reprinted from: Daniels, John D. and Lee H. Radebaugh (1998), International Business – Environments and Operations, 8th Edition. Reading, MA: Addison-Wesley Publishing Company. Pg. 194.

In the factors-proportions theory there are four defined factors related to each home country. The factors are land, labor, capital, and entrepreneurship. Land is the natural resources associated within the physical boundaries of the country that are used to produce things. Countries without a strong and sufficient land base are forced to engage in international trade in order to obtain needed resources. (Sternquist, 1998) Labor is the availability of unskilled and semiskilled workers within the country that can be mobilized for production purposes. Note that skilled labor is not included in this factor. Capital is the money, machinery and infrastructure a country possesses. Countries abundant in these areas are considered more developed countries. Entrepreneurship is the creative management and ideas people use to solve problems and find new opportunities. The four factors explain the inherent resources a country possesses that make it attractive for trade, and therefore, international business. The theory is that "differences in a country's proportionate holdings of factors of production explain differences in the costs of the factors and that export advantages lie in the production or goods that use the most abundant factors." (Daniels & Radebaugh, 1998) In essences, a countries international competitiveness is a function of its land, labor, capital, and entrepreneurship.

Product life cycle theory is a marketing theory in which products or brands progress through a sequence of stages that includes introduction, growth, maturity, and decline. During product introduction the market becomes familiar with the product and sales proceed through a slow growth. Following introduction, as the consumers become more aware of the product and the marketing channels for the product develop, sales grow rapidly. At some point in time, sales begin to slow as the market becomes saturated with the product, this is the maturity stage. In the maturity stage, sales are still increasing but at a lesser rate. At some point in time sales will decrease as the product falls out of favor or substitute products are introduced into the market. This is referred to as the decline stage.

Product life cycle theory was extended to the international business field because international business factors were found to affect the stages of the life cycle. Daniels & Radebaugh (1998) outlined these factors in Table 7. The life cycle stages of introduction, growth, maturity and decline were related to production location, market location, competitive factors, and production technology. During the introduction stages products were still being innovated and the production usually took place in the home country. Marketing of the product also took place in the home country with some exports. Competition was limited due to the time delay of product followers and sales were based on the unique characteristics of the product. Moreover, the product was still continuing to evolve and define its characteristics based on consumer feedback. This lead to short production runs with steeper learning curves requiring more skilled labor. All these factors led to mostly home country resources being devoted in the introduction stage.

	Life cycle stage			
	Introduction	**Growth**	**Maturity**	**Decline**
Production location	• In innovating (usually industrial) country	• In innovating and other industrial countries	• Multiple countries	• Mainly in LDCs
Market location	• Mainly in innovating country, with some exports	• Mainly in industrial countries • Shit in export markets as foreign production replaces exports in some markets	• Growth in LDCs • Some decrease in industrial countries	• Mainly in LDCs • Some LDC exports
Competitive factors	• Near-monopoly position • Sales based on uniqueness rather than price • Evolving product characteristics	• Fast-growing demand • Number of competitors increases • Some competitors begin price-cutting • Product becoming more standardized	• Overall stabilized demand • Number of competitors decreases • Price is very important, especially in LDCs	• Overall declining demand • Price is key weapon • Number of producers continues to decrease
Production technology	• Short production runs • Evolving methods to coincide with product evolution • High labor and labor skills relative to capital input	• Capital input increases • Methods more standardized	• Long production runs using high capital inputs • Highly standardized • Less labor skill needed	• Unskilled labor on mechanized long production runs

Table 7: International Changes During a Product's Life Cycle
Overall, production and sales in LDCs grow in relative importance during a product's life cycle.

Reprinted from: Daniels, John D. and Lee H. Radebaugh (1998), International Business – Environments and Operations, 8th Edition. Reading, MA: Addison-Wesley Publishing Company. Pg. 207

As a product moves into its growth stage, lowering unit costs and increasing channels of distribution become essential. Production locations start to move into counties with certain location advantages that lower production costs. Market locations expand to include international markets as international marketing channels develop. Competition begins to enter the market due to fast growing demand causing pressure on product pricing as the product becomes more standardized. Production technologies become more standardized allowing for less skilled workers and more automation to take over production. The growth stage moves production and distribution from the home market to the international market.

Products enter maturity when their sales growth begins to decline indicating saturation in the market. By this point multiple international production facilities are well established. Market location is looking for any underserved market and begins to examine distribution to lesser developed countries as developed markets become saturated. Competitive forces have stabilized and the number of competitors begins to decrease as they divest from the market. Price becomes the crucial factor with little room for excessive profits. Production technologies are at their most efficient with outsourcing various operations to international locations having the most value. Standardized production runs are high requiring less labor skills. The maturity stage cements the production in countries that offer the best value driving down the price and in hopes of expanding to lesser developed countries.

As sales begin to decline, much of the production is moved to lesser developed countries due to less skilled labor required and the importance of cost control. Market locations are trying to expand into lesser developed countries. Competition is in decline as lower prices drive out lesser efficient firms. Production technologies are so well developed that mechanized unskilled labor provide the long production runs.

Factors-proportion theory and PLC help us understand the reasons behind international business. However, Dunning's Eclectic Paradigm, a major theory in the international business area, also theorizes about the determining factors that push international business and trade.

2.2.6.4.1 Dunning's Eclectic Paradigm

Dunning examined why some international businesses were more successful than others. He determined that international operations must be successful because of the management skill the company exported, the foreign location has some local advantages, or the proprietary resources within the company. Dunning termed these determinate factors as Ownership, Location and Internalization. (OLI) Ownership refers to the way the company manages the operation and the skill and experience of its management. It also references ownership advantages that come with being part of a larger organization such as economies of scale, experience, financial stability and diversification. Location advantages refer to the foreign country factors. Some of these were discussed above and include land, labor and capital. Internalization refers to the proprietary ways companies have. These can be through a unique production method, patents, or company brand.

OLI theory's importance is that it explains two main factors of international business success: what the company brings with them and what the company finds useful when they get there. Moreover, the examination of these factors leads to the discovery of the key success factors that allow business to succeed in foreign countries. The next step is to move the OLI theory to the international retailing realm.

2.2.6.4.2 International Business Theory Extended to Retailing

Why retail businesses expand abroad has been studied in the descriptive and prescriptive manner. Descriptive works list all the factors a retailer gives to expand abroad were prescriptive works develop all the theories on why they should expand internationally. In this section, the author reports on the descriptive factors and then examines these factors using various prescriptive models and theories.

Dupuis and Prime (1996) divide the many observable factors of international retail expansion in two main types. The first is environmental factors such as legal restrictions and economic growth. The second is internal factors such as insufficient capital or economies of scale. One might also view these factors in a more familiar macro and micro business fashion. The factors determine international expansion possibilities using positive and negative effects. A positive environmental effect is an untapped market. A negative environmental effect is import tariffs. An internal positive effect is lower costs through economies of scale. A negative internal effect is insufficient capital to move internationally. (Dupuis & Prime, 1996)

Sternquist (1998) detailed all the international retail expansion factors as follows: "desire to reach beyond a mature home market with low growth potential, need to diversify retail investment, situation in which retail expansion as home is blocked by legal restrictions, possession of a unique market format, intense competition at home, economic downturn in home country, desire to secure first-mover advantage, retail cannibalization of home market, secure location advantage, home country laws that limit retail operations, and internationalize to extend retail brand life cycle."

In many retail areas home markets are in maturity. Sternquist (1998) postulates that the United States is over-stored by 30%. This means that the country has too much retail space for the number of people giving rise to stiff competition. The only way to overcome this problem is for retailers to divest from the market or to expand internationally into new markets. Dupuis and Prime (1996) agree and theorize that internationalization of a U. S. retailing operation is one of the main alternatives for growth opportunities.

Diversifying retail investment means expanding retail to other geographic markets that do not fall into the same economic situation. In doing so, one economic downturn can be mitigated through foreign markets.

Legal restrictions are a large factor in retail with each country having its own rules and regulations, restrictions on store hours, import tariffs, employee treatment, and taxes. All these restrictions can affect profitability.

Unique market formats provide significant advantages and can be related back to internalization of the OLI theory. Pellegrini (1991) expounded on this idea in a general way by looking at overall innovation advantage. This idea can also be tied back to the internalization factor of OLI theory. Pellegrini stressed that retailing must continually innovate both process and product in order to succeed. One reason for this is that successful retail formats cannot go unnoticed for long and they are impossible to hide from competitor's imitation. (Sternquist, 1998)

First mover advantage for retailers allows for two key areas, location advantage and market skimming. Getting there before the competition in retail allows for an optimal physical site location. Sternquist (1998) believes location is one of the critical success factors of a retail business and can even be the deciding factor in choosing whether to move into a specific country. And since there is only so much land available, the first mover gets the advantage. Also, retailers can skim off the top by selling products to a pent up market before competition can get a foot-hold.

With all these observable factors affecting international retailing strategy the only way to address them is by examining them in the various models, theories, and decision scheme that have been published.

2.2.6.4.2.1 OLI Theory

Dunning's Eclectic Paradigm (OLI) theory was discussed earlier in section 2.2.6.4.1. However, the importance of OLI theory to international retailing was not explored.

Pellegrini (1991) applied the OLI theory to international retailing in Europe and discovered that international retailing had very specific effects on the OLI model. Ownership advantages included innovative or unique products or processes a company used to obtain market power that are both asset-based and transaction-based. (Sternquist, 1998) Asset-based advantages are organizational innovations or unique products such as private label lines. Transaction-based advantages stem from the way the retailer is operated and can include volume buying, economies of scale through streamlining operations or vertical integration with product conception and branding. (Sternquist, 1998; Pellegrini, 1991) Organizational innovation is defined as "better or new organizational procedures, respectively aimed at reducing the cost of production or a given retail concept or at offering an improved or new concept." (Pellegrini, 1991)

OLI location advantage stems from how well the retailer's operation fits into the host country. Sternquist (1998) built on Pellegrini's work and identified five areas of location advantages specific to international retailing: cultural proximity, market size, competitors moves, geographical proximity and low-cost land and labor. Cultural proximity is the closeness in the way the people of the host country share the same values and pattern of life as the home country. Market size is the host countries market potential. Competitors' moves relate to the availability of prime retail space. Lager retailers need large spaces. Since most large retailer must locate near a geographically dense area, prime space is a premium. First-mover advantage is critical to securing these spaces. Small retailers have less space needs and this is less of a problem. Geographical proximity refers to the physical distance separation between home and host country. Retailers that use centralized management or production facilities are more affected as the distance increases. Retailers that use decentralized strategies in their management and sourcing of goods find this to be less of an issue. Low-cost land and labor are major expenses to a retailer. Retailers have limited control of retail goods cost and make their profits strictly through markups that must cover fixed operating expenses.

OLI internalization advantages are how well a retailer can keep company secrets on what makes that retailer unique from other retailers. Internalization is done by protecting company proprietary information from others. The more important the proprietary information advantages, the more likely the retailer will internationalization through foreign direct investment or joint ventures over franchising. In retail, much of this proprietary information comes from learning by doing. Retail is a business where getting consumers to buy products is key. Learning what makes a looker into a customer is learned by experience. Protecting this learned knowledge is a critical internalization advantage.

Sternquist (1998) concludes that the more advantages a retailer has in the OLI determinants the more likely the retailer will choose to internationalize their operations.

2.2.6.4.2.2 Model of Strategic International Retail Expansion (SIRE)

The SIRE model (Figure 6) is a normative model that relates OLI factors to global

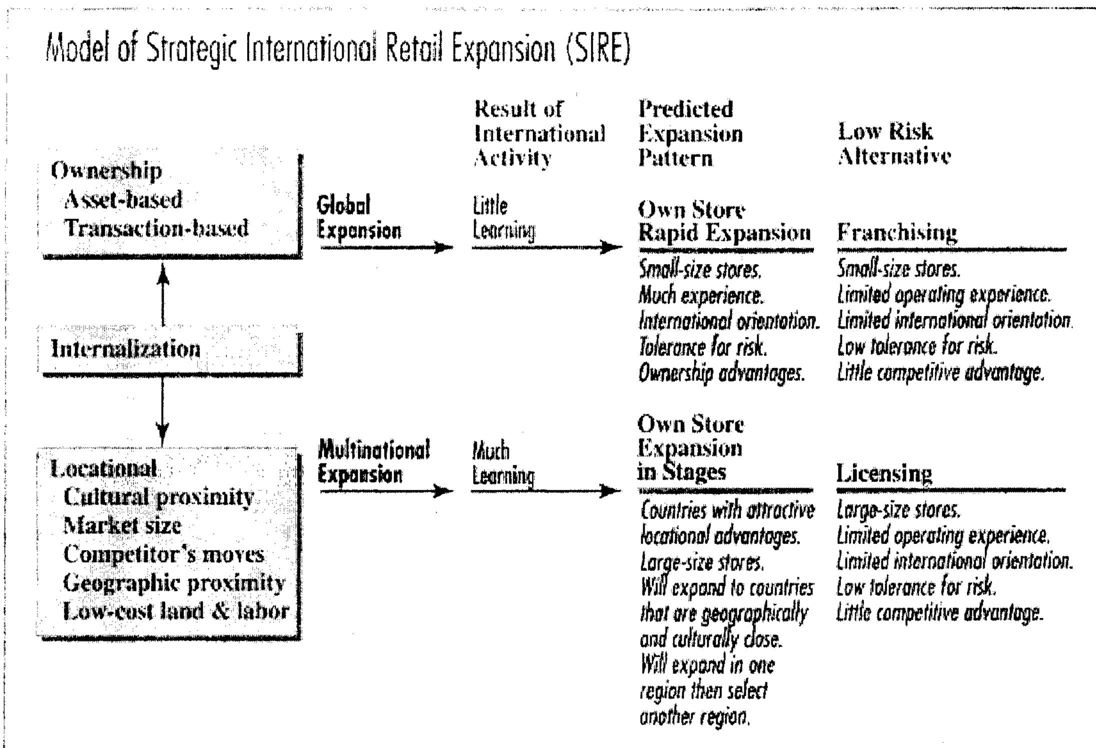

Figure 6: Model of Strategic International Retail Expansion (SIRE)

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications, Pg, 543.

and multinational expansion strategies, and predicts various expansion patterns and their risks. Retail firms strong in ownership will likely choose a global expansion strategy by expanding their standardized format at a rapid rate to take advantage economies of scale. They will learn very little during this process because the rapid expansion does not give time for feedback. Moreover, centralized management is the decision making authority and pushes management from the home office to the international retailer. Rapid expansion is with smaller wholly owned subsidiary stores. Retailers that expand in this manner have a high tolerance to risk, an international orientation and believe ownership advantages are the key to internalization success. Retail firms with strong ownership focus but are less tolerant to risk may choose a franchising method to internationalize rather than a wholly owned subsidiary.

Companies that focus on locational advantages will use a multinational internationalization strategy. They have decentralized management and customize their retail offerings to each location. There stores are large in size and are wholly owned subsidiaries. Retailers in this category will expand slowly, usually one region at a time, by first entering markets that are geographically and culturally close in proximity to the home country. Companies that focus on locational advantages that have less risk tolerance may choose licensing over wholly owned subsidiaries.

2.2.6.4.2.3 Sternquist's Retail Internationalization Decision Scheme

Sternquist (1998) took the OLI model framework and advanced it to more specifically address international retailing decisions. In doing so she developed a Retail Internationalization Decision Scheme shown in Figure 7. The model is a framework that examines external factors to the retail business decisions and how these macro-environmental factors affect the decision to enter a foreign market. Moreover, it directs a retailer to the two main types of retailing strategies, global strategy and multinational strategy. Sternquist defines her models macro-environmental factors as: economics, competitive, technology, social and governmental. Economic refers to the type of economic system in place in the home country, whether it is a free market or planned market.

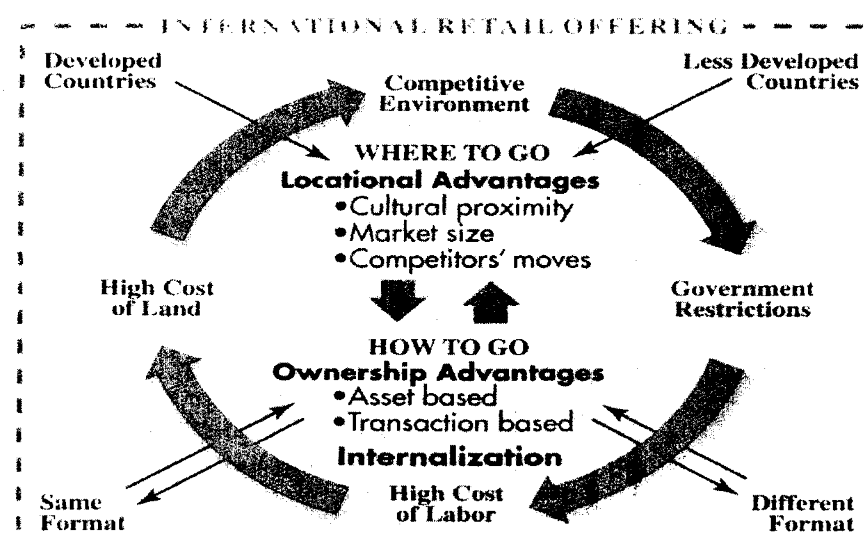

Figure 7: Retail Internationalization Decision Scheme

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications, Pg, 41.

Competitive environment is defined as the four market structures: monopolies, oligopolies, monopolistic competition, and perfect competition. Technology is the infrastructure and equipment needed to make retailing more efficient and profitable. The social factor is all the cultural factors that affect a buyer's behavior. Governmental refers to the legal system in place in the host country and the regulations applying to business. Sternquist (1998) addressed four different types of legal systems: code law, common law, Islamic law, and Marxist law. In code law every action is covered under some existing law and these laws dictate behaviors. Common law is tradition, past practices, and legal precedence, that come together to make up an ever changing set of rules and regulations that become the current laws to follow. Islamic law is from the Koran and prescribes a total way of life for its people. Marxist law is similar to code law but puts resources under socialist ownership. The importance of the law system is it affects foreign business ownership. Code law and common law allow foreign ownership of businesses. Islamic and Marxist laws severely restrict foreign ownership. The type of legal system also affects retailing by dictating what products a retailer can carry, where a business can operate, and what hours a store can be open. (Sternquist, 1998)

Based on a retailers relation to these factors the Sternquist Scheme proposed two courses of action, enter the international retail market in the host country or not. If the retailer internationalizes into the host country, they can do so with either a global strategy or a multinational strategy. Global strategy format means internationalizing the retail format using home country as a standard format. Product assortment may change but the identifiable branding of the store format stays the same. Global retailers generally use centralized management, standard store format, have rapid expansion ability, and provide private label merchandise. (Sternquist, 1998) On the other hand, multinational strategy is characterized by decentralized management, adaptable store format, stages of foreign expansion, and national brands with some private label merchandise. Each retail store is extensively customized to the host country with little regard to home county operations. Multinational format makes international expansion more difficult and costly.

Sternquist relates her model back to the factors of production theory and OLI by stating that: "Factors of production – land, labor, capital, and entrepreneurship – influence a country's level of economic development and the choice of country when internationalizing. The macro-environment influences a country's location advantage. A company's ownership advantages will influence whether it will internalize its secrets. This decision will, in turn, influence whether the company uses a standard format or a format that is individualized for each country."

2.2.6.4.2.4 Product Life Cycle

A general description of product life cycle was covered in section 2.2.6.4 under international business theories. However, the PLC has very specific affects on retailing. The same four stages of introduction, growth, maturity and decline can be applied to international retailing by examining the retail operation as the product. As a retailer is introduced the most important segment is home market. The home market develops the retail format and the retail factors. With retail success comes competition and the retailer must grow into new markets. Sternquist (1998) believed that retailers did not move internationally until late in the game because the United States market was so large that the in-country market did not become retail saturated until recently. United States retailers now face the stiff competition and must grow internationally to survive. From the PLC model growth stage, retailers should be moving into developed countries and lowering their costs. As developed countries become more retail saturated retailers should be continuously looking to move into countries with developing markets. Moreover, retailers looking to reduce costs should increase their international product purchases. Maturity and declining stages also emphasizes decreases in costs and expansion into lesser developed counties. (Daniels & Radebaugh, 1998)

2.2.6.4.2.5 Central Place Theory

Central place theory was first formed by Christaller in 1963 as he observed the formations of central markets in Germany. Central place is a settlement which provides one or more services for the population living around it. (Christaller, 1963) There are low order and high order central places. Low order covers basic services like grocery stores were high order is specialized services like a hospital. High order areas, also called high order settlements, have low order surrounding. However, high order settlements do not surround low order settlements. The area the settlement affects is referred to as its "sphere of influence." Each settlement must have a threshold population that supports the services provided by the settlement. The amount of services available in a settlement is directly affected by population, consumer tastes and encroaching competition. In general, larger settlements are spaced farther apart, are fewer in number and provide higher order services. Christaller's Place Theory is the basis of the sphere of influences distance calculations that are used by retailers to calculate the distances between their stores. (Central Place Theory, 2004)

Sternquist (1998) describes central place theory as: "A central place that consumers will be drawn to the location because of the greater variety offered there." A mall is an example of this. Stores that locate together to lessen the physical distance the customers must travel in order to complete their shopping needs. Central place benefits both the customer and the retail business. Retailers benefit because more stores attract more customers. Customers benefit because the spatial separation to goods and services is decreased. Sternquist (1998) found that consumers will travel less for convenience goods and more for specialty goods.

Central place is important because it relates back to retail formats and retail location advantages. Superstore formats attempt to create their own central place to attract consumers. When Christaller studied central markets he examined markets in a pure competition environment without collusion. No one firm was large enough to affect market pricing. In the superstore format all the individual departments are owned by the superstore, in essence, limiting the competition. Because of this, whole store pricing polices, including loss leaders and line pricing comes into play indicating store size may affect pricing.

Central place also looks at location advantages that are discussed in section 2.2.6.4.2.1 OLI theory. Retail store location is a critical factor to success. Locating near central places affects access to consumer markets and the threats from competition.

2.2.6.4.2.6 Risk Theory

Eroglu (1992) developed a conceptual model based on the tolerance to risk-taking behavior for companies that expanded internationally through franchising. Sternquist (1998) extended this model to retailers in choosing their internationalization efforts. Risk theory assumers some companies are greater risk takers than other based on a set of organizational and environmental characteristics that influences perceived risk and perceived benefits that in turn affect internationalization decisions. Environmental characteristics are domestic competition, external change agent influences, and perceived favorability of the external environment. (Sternquist, 1998) These characteristics are the basis of the SIRE model or retail that will be used to build the framework of this research paper.

Sternquist (1998) defines the organizational characteristics as "firm size, operating experience, management's international orientation, top management's tolerance for risk, and top management's perception of the firm's competitive advantage." These organizational characteristics are the basis of internalizing or externalizing international retailing expansion. Sternquist (1998) predicts that:

- "If the company is using a global strategic international expansion strategy and it internalizes its international expansion, it will open its own stores with rapid expansion throughout the world.
- If the company is using a global strategic international expansion strategy and it externalizes its international expansion, it will franchise its operations with rapid expansion throughout the world.
- If the company is using a multinational strategic international expansion strategy and it internalizes its international expansion, it will open its own stores, expanding in stages, beginning with countries with the greatest locational advantages.
- If the company is using a multinational strategic international expansion strategy and it externalizes its international expansion, it will license its operations, expanding in stages, beginning with countries with the greatest locational advantages."

2.2.6.4.2.7 Stages Theory

Sternquist developed the stages theory of retailing based on observations. Many retailers internalize their market information and keep it secretive as a strategic advantage. In internationalization, the only way to get foreign country market information is to enter the market. Sternquist (1998) hypothesized that multinational retailers would enter foreign markets in stages. First starting out small to develop sufficient market information then feeding back this information to improve retail strategy. This is very similar to the introduction stage of the product life cycle. Once sufficient information was gathered, the retailer would build new stores and expand in stages basing each stage on the last. In this way risk is minimized. Retailers would choose their next stage of expansion by selecting the area that had the most locational advantages.

2.2.6.5 International Retail Strategies

"Retailing is a way of doing business, a learning-by-doing type of education." (Sternquist, 1998)

In this section the author examines the two major retail strategies of global and multinational expansion, and how retailers internationalize their retail operations. Moreover, an examination of retail strength to internationalization ability is presented.

2.2.6.5.1 Global vs. Multinational Retail Strategies

According to Sternquist (1998) a retailer's motivation to internationalize is due to a higher-than-domestic return on investment, a safe foreign international investment, or access to retail know-how. The two forms of internationalization strategy are global and multinational strategies. Global retail strategies reproduce a standard retail environment in every market they enter. Multinational retail strategy enters each market with a market specific store built to local requirements.

Global retail strategy benefits from centralized management, standard format, rapid expansion capability, mass markets, economies to scale, centralized buying, efficiencies in vertical integration and the ability to sell private labels. (Sternquist, 1998) Global strategy assumes that customers are similar and standardization will produce cost savings through economies of scale. Global retail strategy can be viewed thought the ownership and internalizations factors of the OLI theory. Ownership advantages include the economic wealth and management experience brought to the foreign operation. Ownership advantages allow centralized management, standard formats, centralized buying and private labels that lead to the ability for the operation to rapidly expand into mass markets, reduce costs through economies to scale, and increase efficiency in the marketing channel through vertical integration. Ownership advantages can be asset-based or transaction based. Asset based advantages stem from resources inherent to the retail firm. Transaction based advantages stem from the way the firm uses these resources.

Internalization benefits come from the learning-by-doing way of obtaining local market information.

Global retailing does have cost advantages. However, because consumer preferences and buying habits are different in every country is it difficult for a standardized store to offer the consumer the customization or product lines demanded by various cultures.

Multinational retailers change strategy and products to adapt to the local market. Multinational retailers are characterized by: decentralized management, adapted format, expansion in stages, use of national brands and private labels. (Sternquist, 1998) Examining multinational retailers against OLI theory shows that this strategy relies heavily on the location advantage. Because of this it is difficult for a multinational retailer to realize efficiencies through economies of scale. However, they believe the increase in cost is offset by the customization of products and that the consumer is willing to pay this extra price for this differentiation. These customizations are due to the cultural differences between the home and foreign country. Multinational retailers may also have transactional-based advantages. However, these advantages are generally dependent on the local infrastructure. (Sternquist, 1998) In general, multinational retail operations are considered as subsidiaries of the parent company and are individually managed under a portfolio arrangement from the parent.

2.2.6.5.2 International Expansion Strategies

There are four major types of international expansion strategies: exporting, licensing/franchising, joint ventures (strategic partnerships), and wholly owned subsidiaries (FDI). Exporting is the shipping of products to a foreign country. Licensing allows a foreign company to display the name of the home company on products or services the foreign company sells. Franchising is a form of licensing that transmits know-how, mode of operation, and brand name to a foreign company in exchange for a fee, in essence, internationalizing the company under a new local owner. Joint ventures or strategic partnerships combine a local with a foreign company forming a new firm in the foreign land. Wholly owned subsidiaries, sometimes referred to as foreign direct investment (FDI), is when the home company internationalizes by opening directly into a new country.

Of the four types of expansion strategies only three are available to the retailer. Retailing needs a physical presence. For this reason, exporting is not considered a retail expansion strategy. This leaves retailers with licensing/franchising, joint ventures, and wholly owned subsidiaries. Figure 8 shows the internationalization strategies from the least risky to the most risky.

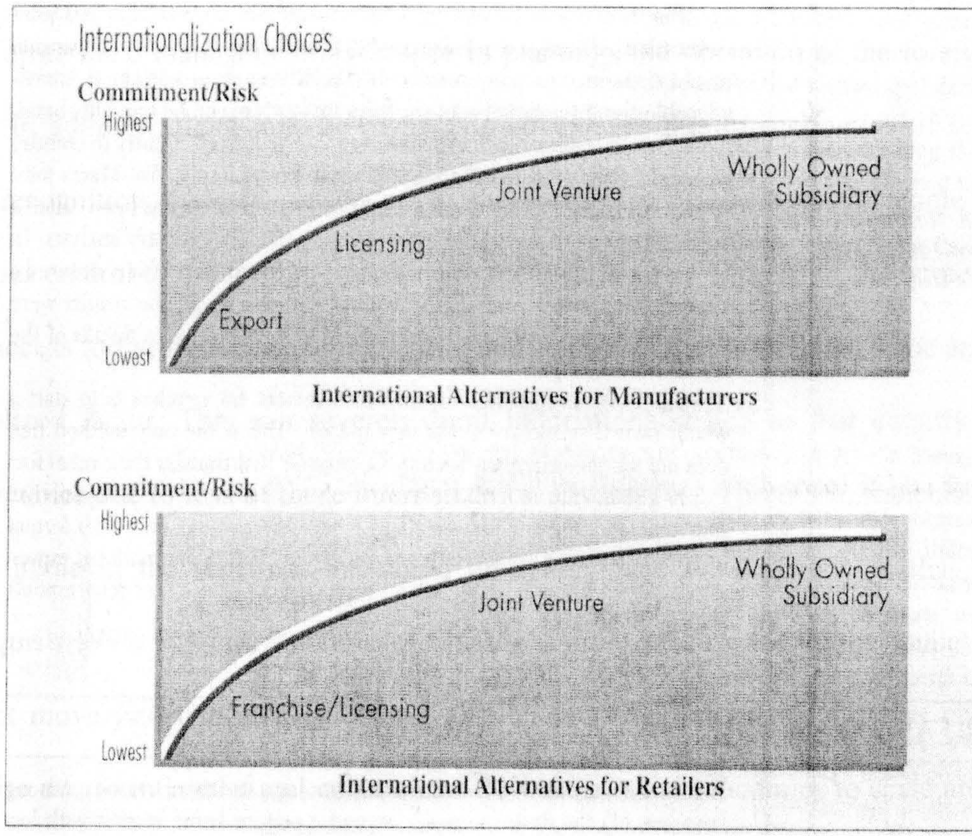

Figure 8: Internationalization Strategies for Retailers

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications, Pg, 9.

The lowest risk internationalization method for a retailer is licensing or franchising. Licensing sells the foreign retailer the right to use the home retailer's name, know-how or other intangible assets in its retail operation. Licensing has an advantage for the foreign retailer to be part of a larger brand and obtain certain collateral ownership advantages of advertising and name recognition/visibility. For the home retailer it means an increase in cash flow but a loss of foreign control over the name and how it is used.

Damage to the name brand retailer can result due to poor performance by the foreign retail operation and there may be little the home retailer can do to prevent it.

Manufactures like to choose licensing arrangements; retailers are more apt to franchise. Besides the brand name, there is know-how, a standardized and distinctive retail format, and management assistance in planning and operation of the foreign retail store. In addition, there may be ownership advantages due to economies of scale and name recognition that are passed on to the franchisee. However, the home retailer sacrifices control of the foreign operation to the local owner. Moreover, the home retailer gives access to the franchisee to marketing and sales data that is believed to be an import internalized factor. This can severely limit internationalization to that country by the home retailer due to loss of these internalization advantages. Therefore, franchising may be profitable in the short-run but could limit long-term retail growth in that market. (Sternquist, 1998) In general, retail franchising is done because the retailer believes they will not move into that market. Many smaller retailers and specialty stores choose to franchise due to internal fiscal constrains. Because of this, economies to scale are not as prevalent in franchise expansion. Large mass merchandisers, looking for these economies to scale, have little reason to franchise.

The next riskiest strategy is joint ventures or strategic alliances. Sternquist (1998) defines strategic alliances as business relationships by two or more companies who cooperate out of mutual need and share risk in achieving a common objective. Strategic alliances have three characteristics: partnership is between companies on the same marketing channel level, there are mutually defined objectives, and the alliance is beneficial to both parties. (Sternquist, 1998) The three major reasons retailers from a strategic alliance are: to create new retailer companies in another country with a local retailer as a partner, to enhance purchasing power, and to facilitate exchange of knowledge or know-how. (Sternquist, 1998) One caution, not all retail alliance are strategic. Retailers may join together to enhance purchasing or to develop brand names. These are considered retail alliances and not strategic alliances.

Wholly owned subsidiary or foreign direct investment has the highest risk. A firm internationalizes by directly opening up a retail operation in the foreign country. In doing so, a company can internalize all its locally obtained marketing knowledge. Companies that can internationalize in this manner benefit most from economies of scale. Global companies seeking mass market prefer this approach.

2.2.6.5.3 Retailer Strength to International Retail Strategies

Experience, size and uniqueness are the retailers' strength in deciding its internationalization strategy. Sternquist (1998) developed a retail international expansion framework given in figure 9. She believed that companies had two advantages when internationalizing: strength in experience and size, and uniqueness in format. Depending on whether a company was strong or weak determined if it should internationalize to a more or less developed country. Strong companies, with ownership and internalization advantages, should internationalize to more developed countries to lock out competitors and expand world wide distribution. Global retailing fits in this strategy. Weak companies should avoid competition and internationalize to lesser developed countries. Companies with a unique format, requiring strong location advantage should internationalize to more developed countries. These can be global or multinational retailers.

Companies with a standard format should internationalize to a lesser developed country were land and labor are cheap.

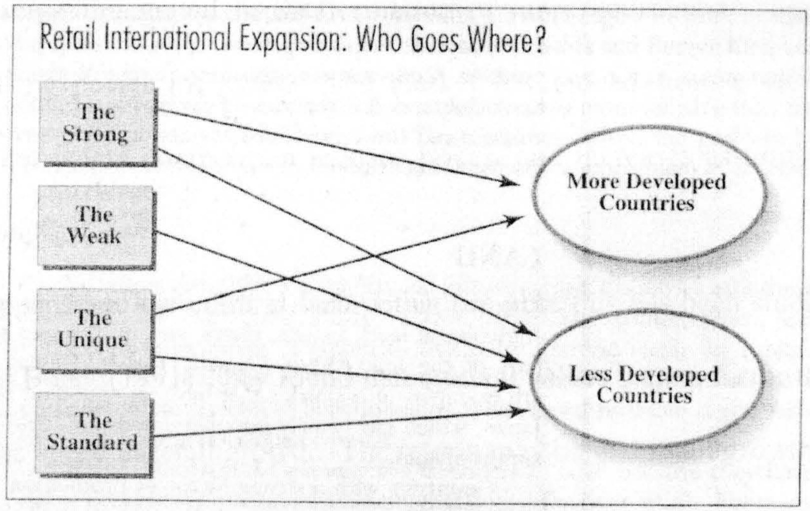

Figure 9: International Retail Expansion Format

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications, Pg, 15.

2.2.6.6 How GDP and Country Development Affect International Retail Strategies

Studies have found that retailing operations and country wealth are related. Lesser developed countries do not possess sufficient wealth to develop competition and product selection; therefore, it is a sellers market. (Sternquist, 1998) In a sellers market consumers want to buy more products then sellers can supply. The result is shortages in supply that the economy is unable to overcome. These chronic shortages lead to consumers purchasing what they can and not what they want. Under these circumstances culture has very little influence on retailing, especially since most of these items are necessities. As GDP and income increases, supply catches up to demand. Competition in market forces sellers to differentiate themselves through increases in product assortment or services. Moreover, retailers are more apt to try to focus on market demands and cost reductions. At this point, retailers move from a warehouse role of supply to an interpreter of consumer tastes and gatekeepers to demanded products. (Sternquist, 1998) The markets become increasingly integrated in the formation of more coordinated supply chains. Supplier purchasing power increases. The market has moved from a sellers market to a buyers market where competition reduces prices, and increases assortment and product specialization.

How fast this happens and the cultural factors that progress this has been studied by Franke, Hofstede, and Bond. (1991) They found that cultural values were a factor that explained over 50% of the speed in retail growth. The reason may be that retail growth is dependent on country infrastructure and culture may also affect the speed of infrastructure growth. (Sternquist, 1998)

When should a retailer internationalize into a developing country is always a concern. It is also a concern for this study because cultural influences will not affect retailing strategies below a certain economic level. The Rostow model addresses and quantifies these concerns.

2.2.6.6.1 Rostow Model

Rostow classified a country into five stages of development: "the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of mass consumption." (Rostow, 1960) Sternquist related the Rostow's work to retail application. Their work is summarized and condensed in Table 8. There are several critics of the Rostow work citing that his Western views skewed the model. However, it is the only model currently available that identifies GDP relationships with retailing.

Table 8
Rostow Model as Modified by Sternquist

Sources: Ford, Kaya V. (2004). "Rostow's Stages of Development," April 22.

http://www.nvcc.edu/home/nvfordc/econdev/introduction/stages.html and Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications, Pgs. 90-92.

Stage 1: Traditional Society

The economy is dominated by subsistence activity where output is consumed by producers rather than traded. Any trade is carried out by barter where goods are exchanged directly for other goods. Agriculture is the most important industry and production is labor intensive using only limited quantities of capital. Resource allocation is determined very much by traditional methods of production.

Retail effects: Countries in this stage lack the capability of significantly increasing their level of productivity. There is a marked absence of systematic application of the methods of modern science and technology. Literacy levels are low.

Retail applications: Vendors, moving from village to village with bags of assorted merchandise, dominate retailing in these countries. Stores in permanent locations also have very scrambled merchandise.

Stage 2: Transitional Stage (the preconditions for takeoff)

Increased specialization generates surpluses for trading. There is an emergence of a transport infrastructure to support trade. As incomes, savings and investment grow entrepreneurs emerge. External trade also occurs concentrating on primary products.

Retail effects: Societies that are in the process of transition to the take-off stage. During this period, the advances of modern science are beginning to be applied in agriculture and production. The development of transportation, communications, power, education, health, and other public undertakings are begun in small but important way.

Retail applications: Retailers are mainly situated in permanent structures, although their merchandise is still very scrambled. If retail businesses are not government-owned, they are single-family, single unit-operations.

Stage 3: The Take-Off

Industrialization increases, with workers switching from the agricultural sector to the manufacturing sector. Growth is concentrated in a few regions of the country and in one or two manufacturing industries. The level of investment reaches over 10% of GNP.

The economic transitions are accompanied by the evolution of new political and social institutions that support the industrialization. The growth is self-sustaining as investment leads to increasing incomes in turn generating more savings to finance further investment.

Retail effects: Countries achieve a growth pattern that becomes a normal condition. People and social overhead have been developed to sustain steady development. Agricultural and industrial modernizations lead to rapid expansion in these areas. Retail applications: Foreign retailers are eager to enter the market. Supermarkets and superettes are emerging. Superettes are small-scale supermarkets, a self-service format that is introduced into developing countries before full-scale supermarket development. Commercial activities include the development of modern retail formats in shopping centers.
Stage 4: The Drive to Maturity The economy is diversifying into new areas. Technological innovation is providing a diverse range of investment opportunities. The economy is producing a wide range of goods and services and there is less reliance on imports. Retail effects: After take-off, countries maintain sustained progress and their economies seek to extend modern technology to all fronts of economic activity. The economy takes on international involvement. In this stage, an economy shows that it has the technological and entrepreneurial skills to produce anything, but not everything, it chooses to produce. Retail applications: Supermarkets and other forms of modern retailing are well-established, although they may coexist with traditional wet markets. (farmers market in open)
Stage 5: The Age of High Mass Consumption The economy is geared towards mass consumption. The consumer durable industries flourish. The service sector becomes increasingly dominant. Retail effects: The age of high mass consumption leads to shifts in country's leading economic sectors toward durable consumer goods and services. Real income per capita rises to the point where a very large number of people have significant amounts of discretionary income. Retail applications: Countries retail offerings are very specialized. Logistics is an important part of improving distribution efficiencies. Retailers are integrated both vertically and horizontally

Stage 3 – the take off stage is the critical concern for retailers. This is the first stage that supports sufficient economic growth to allow retailers to internationalize into that country. The critical point can be identified by when the level of investment of the country reaches over 10% of the gross national product. Stages three and four are considered lesser or developing countries. Stage five is considered a developed country. These stages serve as important delineators in this paper's research work.

2.2.6.6.2 Retailing in Lesser Developed Countries

Retail is interested in lesser developed countries for many of the reasons examined above. However, the most compelling reasons retailing is looking at LDCs is that they are growing faster than the developed markets. (Nakata & Sivakumar, 1997) However, the lack of financial resources in these countries can skew the results of the cultural effects on retail strategies. In LDCs retailers are finding monetary constraints are forcing changes in product size and product demand. Due to a less developed infrastructure, products that require refrigeration are sold in small consumable batches each day leading to reductions in the amount of the good in the package. (Hill & Still, 1984) This is due to a countries financial status and not cultural differences.

2.2.6.7 Artificial Constraints on Retailing in the International Environment

Section 2.2.6.2 gave the general restrictions on retailing as legal and resource constraints. In addition to these constraints, retailers are also affected by currency exchange rates.

Resource constraints in internationalization are also more problematic. Since additional resources are needed to internationalize retailing one must consider if changes in retail strategy are due to fiscal limitations or cultural variations.

2.3 Summary

The literature review brought together the various disciplines of international business theory, marketing theories, marketing strategies, retailing theory, international retailing, and various cultural models used in business. However, after reviewing all the works published to date, there were no works found on the affects of culture to overall retail marketing strategy. Therefore, this paper will study this area by building and testing a model that relates cultural factors to marketing strategies of international retailers. Chapter three concentrates on building the model, chapter four defines how the model is tested and chapter five tests and refines specific aspects of the model.

CHAPTER 3

THEORETICAL FRAMEWORK, PROPOSITIONS, AND MODEL BUILDING

"Societies build culture through product use, people's interactions with each other, art and language. Retailing affects and is affected by each of these." (Sternquist, 1998)

The above quote indicates how much culture affects retailing. If fact, many of international retailing failures can be traced back to failures in understanding cultural factors. (Sternquist. 1998) With retailing requiring a physical presence, culture becomes an even more important variable to understand. Moreover, retailers must be adaptive to cultural differences between home country and foreign market.

3.1 Prism Effect

Dupuis and Prime (1996) combined two concepts, the business distance concept and the concept of the prism effect to develop a paradigm of analysis model of the success of international retailing. Figure 10 is the model. The business distance concept is derived from the international business field to explain the selection of a foreign market. Any retail format has four elements derived from cultural traditions – national, professional and organization. The four elements are part of the consumer-orientated supply chain and consist of the consumer, the retail store, the channel mix, and the environment. (Dupuis & Prime, 1996) When the retail format is exported, the competitive advantage it had at the home level may be affected in three ways: the retailing mix, the channel mix and the environment. (Dupuis & Prime, 1996) The important factor to this study is the effects on the retailing mix. These factors are price and positioning of product for competitive advantage, location, assortment, promotion, product, and sales capacity adjustment.

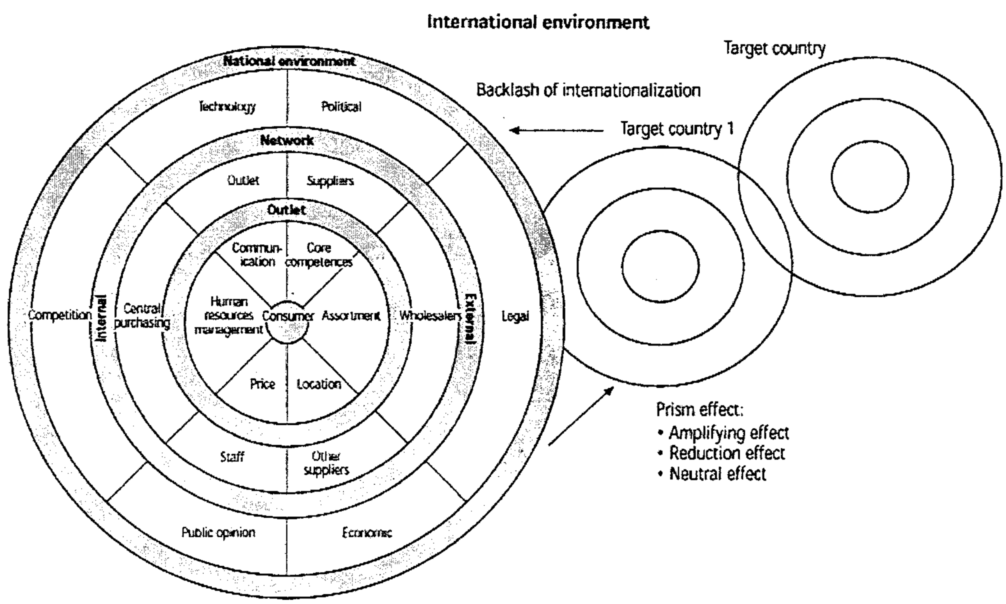

Figure 10: Global Retailing: Prism Effect and Internationalization

Reprinted from: Dupuis, Marc and Nathalie Prime (1996), "Business Distance and Global Retailing: A Model for Analysis of key Success/failure Factors," international Journal of Retail & Distribution Management, v24, n11, p 33.

3.2 Development of the Research Framework

This paper examines the cultural influences on the development of international marketing strategies for multinational retailers. Chapter two gave a review of all the models and theories that are the basis of the work proposed in this chapter. Moreover, section 2.2.6.3.4 developed the specific marketing factors to be included in this model.

Since the Hofstede model can be used to strategically position international retailers, this research work will use the five cultural factors of the Hofstede model and relate these factors to international retail marketing strategy theory. (This technique is similar to the dissertation works cited previously) These five factors should overlay international retailing marketing strategies and develop a model of testable hypotheses to determine the influences national cultures have on retailer's developing country specific marketing strategies. A general outline of the propositions is:[1]

P_1 – Power Distance Index: the degree of equality, or inequality, between people in the country's society influences international retail marketing strategy.

P_2 – Individualism-collectivism: the degree the society reinforces individual or collective, achievement and interpersonal relationships influences international retail marketing strategy.

P_3 – Masculinity: the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power influences international retail marketing strategy.

P_4 – Uncertainty Avoidance Index: The level of tolerance for uncertainty and ambiguity within the society influences international retail marketing strategy.

P_5 – Long-term Orientation: The degree the society embraces, or does not embrace, long-term devotion to traditional, forward thinking values influences international retail marketing strategy.

Although the above propositions are in a very general format they will serve as our overall research framework.

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[1] Cultural definitions used in the propositions are from Hofstede (2003)

3.3 Model of Cross-Cultural Buying Behavior

Before postulating the tenants of the model, it is important to understand how a local culture will behave to the new retail encroachments. Sternquist (1998) further developed a model of cross-cultural behavior (Figure 11) that is useful in describing this

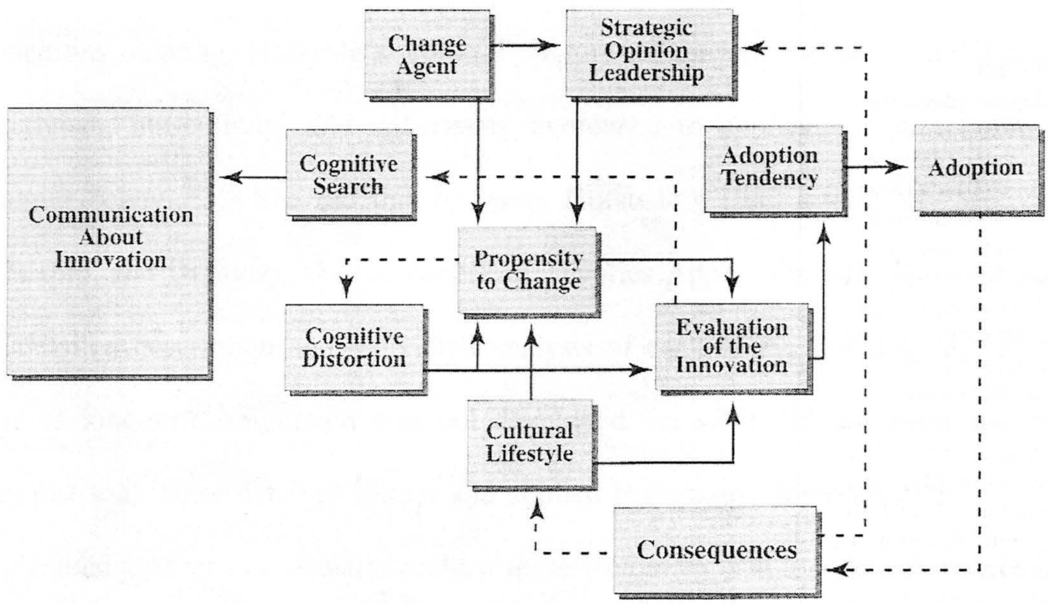

Figure 11: Model of Cross-Cultural Behavior

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications. Pg. 80

process of the new retail adoption by a culture.

The movement of new ideas through a culture is a complex process that can diverge into many different results. The propensity to change or adopt a new retail format is affected by change agents, strategic opinion leaders, cognitive distortion, and cultural lifestyle. Change involves evaluating the new retail format. Evaluation results in either an adoption tendency or a cognitive search for a better option. If the new retail format is accepted the person experiences consequences to their new purchase habits. These consequences can lead to cultural changes caused by new product purchases. Sternquist (1998) believes that retail has a direct affect on changing culture.

3.4 Sternquist's Propositions

Brenda Sternquist (1998) was the first to come up with a compete compellation of propositions relating Hofstede's cultural factors of power distance, individualism-collectivism, masculinity, and uncertainty avoidance to applications in retailing and consumer behavior. She did this by using Hofstede's 1980 article on "Motivation, Leadership, and Organization: Do American Theories Apply Abroad?" Hofstede gave a very detailed description and individual analysis of each of the four factors. The last factor of long-term-orientation was not developed yet so it did not make the study. Sternquist took these detailed factors and applied her observational experience to them and gleamed a series of postulates on how these factors applied to international retailing. Tables 9, 10, 11 and 12 are her works in this area.

Sternquist's work will serve as the base where research propositions will be gleamed. The works of Deadrick, Mcafee & Glassman (1997); Fernie & Fernie (1997); Goldhar, Bragaw & Schwartz (1976); Luna & Gupta (2001); Nakata (2002); Nakata & Sivkumar (1996); Narver & Slater (1990); and Turan (2001) will be combined with Sternquist's work to develop all the existing postulates on how international retailing factors are related to the five factors of Hofstede's cultural model.

Table 9
Power Distance to Retail Factors

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications. Pg. 75.

Small Power Distance	**Large Power Distance**	**Applications to Retailing and Consumer Behavior**
Inequality in society should be minimized	There should be an order of inequality in this world in which everybody has a rightful place; high and low are protected by the source	Purchases avoid the illusion of wealth and power versus conspicuous consumption and flaunting of wealth
Hierarchy means inequality of roles, established for convenience	Hierarchy means existential inequality	Salespeople are empowered to handle customer problems versus only upper managers can address problems.
Superiors are accessible	Superiors are inaccessible	Success of small retailers who interact with customers versus large companies in which chief executive officers are distant from consumers
All should have equal rights	Power holders are entitled to privileges	Everyone waits in the same line to be serviced versus the powerful go to the front of the line
People at various power levels felt less threatened and are more prepared to trust people	Other people are potential threat to one's power and can rarely be trusted	General supervision, flexible work time versus highly rigid work schedules

Table 10
Individualism-Collectivism to Retail Factors

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications. Pg. 73.

Collectivist	**Individualist**	**Applications to retailing and consumer behavior**
In society, people are born into extended families or clans who protect them in exchange for loyalty	In society, everybody is supposed to take care of himself or herself and his or her immediate family	Government support for small businesses versus no government involvement
"We" consciousness holds sway	"I" consciousness holds sway	Government control or retail sector and state ownership of stores versus individual entrepreneurs
Identity is based in the social system	Identity is based in the individual	Status comes from employment with large, old companies versus status is given to the entrepreneur and self-owner
The emphasis is on belonging to organizations; membership is the ideal	The emphasis is on individual initiative and achievement; leadership is the ideal	Teamwork and group achievement versus individual initiative and leadership
Private life is invaded by organizations and clans to which one belongs; opinions are predetermined	Everybody has the right to private life and opinion	Company has the right to know about employees life versus separation of work and private life
Value standards differ for in-groups and out-groups (particularism)	Value standards should apply to all (universalism)	Group members give purchase rights versus all consumers have the right to purchase any products they choose

Table 11
Masculinity to Retail Factors

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications. Pg. 76

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Feminine	Masculine	Applications to Retailing and Consumer Behavior
Men needn't be assertive, but can also assume nurturing roles	Men should be assertive. Women should be nurturing	Sex-neutral products versus sex-specific products
Sex roles in society are more fluid	Sex roles in society are clearly differentiated	Same as above
There should be equality between the sexes	Men should dominate in society	Men and women as bosses and entrepreneurs versus men as captains of industry
Quality of life is important	Performance is what counts	Environmentally friendly companies versus high profit at all cost companies
You work in order to live	You live in order to work	Retailers close during evenings and weekends versus importance of 24-hour shopping
People and environment are important	Money and things are important	Green products versus large market share products
Interdependence is the ideal	Independence is the ideal	Cooperatives versus corporate retailers
Service provides the motivation	Ambition provides the drive	Long-term sustainable customer service versus high growth, short-lived products
One sympathizes with the unfortunate	One admires the successful achiever	Corporate sponsorship of community events versus separation of corporate and community goals
Small and slow are beautiful	Big and fast are beautiful	Unique and independent businesses versus large corporations

Table 12
Uncertainty Avoidance to Retail Factors

Reprinted from: Sternquist, Brenda (1998), International Retailing, New York: Fairchild Publications. Pg. 74.

Low Uncertainty Avoidance	High Uncertainty Avoidance	Applications to Retailing and Consumer Behavior
Ease and lower stress are experienced	Higher anxiety and stress are experienced	Shopping is an enjoyable, family experience versus stressful and to be minimized
Time is free	Time is money	Full service versus self-service as ideal
Aggressive behavior is frowned upon	Aggressive behavior of self and others is accepted	Low-key sales approach versus hard sell
More acceptance of dissent is entailed	A strong need for consensus is involved	Products purchased to show individualism versus products that maintain affiliation to the group
Deviation is not considered threatening; greater tolerance is shown	Deviant persons and ideas are dangerous; intolerance holds sway	Deviance is demonstrated through visible products such as clothes versus through thoughts and secret acts.
More positive feelings toward younger people are seen	Younger people are suspect	Youth as important target group versus youth as troublemakers to be monitored
If rules cannot be kept, we should change them	If rules cannot be kept, we are sinners and should repent	Common lay applied to commercial activities versus prescribed applications of law
Belief is placed in generalists and common sense	Belief is placed in experts and their knowledge	Innovations come from the common person versus innovations come from powerful and wealth people.

3.5 Research Propositions

P_1 – Power Distance Index: the degree of equality between people in the country's society influences international retail marketing strategy.

Countries having small power distance: consumers avoid the illusion of wealth and power (Sternquist, 1998); sales people are empowered to handle customer problems (Sternquist, 1998); success of small retailer because owners interact with customers (Sternquist, 1998); all customers wait in same line to be serviced (Sternquist, 1998); general supervision and flexible work time for employees (Sternquist, 1998);[2] retail stores have a self-serve format allowing customers to choose products directly from the shelf (Sternquist, 1998); more of a decentralized marketing strategy allowing local retail management more autonomous power (Nakata & Sivakumar, 1996) – this indicates a trust in the local management; and will be more likely to accept new product offerings (Yaveroglu & Donthu, 2002).

Countries having large power distance: consumers have conspicuous consumption and flaunting of wealth (Sternquist, 1998); only upper management can address customer problems (Sternquist, 1998); see large retailers in which chief executive officers are distant from customers (Sternquist, 1998); powerful customers go to the front of the line. (Sternquist, 1998) – this indicates that retailers will give preferential treatment to important customers over the average customer; rigid work schedules and little flexibility for the employee (Sternquist, 1998); retail stores are full serve and a salesperson is required to get items for the customer (Sternquist, 1998); and centralized marketing

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[2] Deadrick, McAfee & Glassman (1997) postulated the same idea, expounding it to customer service. They believed that if the employee was treated right in these areas, that this would reflect favorable in customer service quality and improved customer satisfaction.

strategies (Nakata & Sivakumar, 1996) – this indicates distrust in the lower management.

P_2 – Individualism-collectivism: the degree the society reinforces individual or collective, achievement and interpersonal relationships influences international retail marketing strategy.

Collectivist countries: government will support small retailers (Sternquist, 1998); government has protective laws for local retailers (Fernie & Fernie, 1997); employees prefer to work for large company (Sternquist, 1998); employees work in team concept and team achievement is important (Sternquist, 1998); company has right to know about employees personal life (Sternquist, 1998); group members give purchase rights to consumer (Sternquist, 1998);[3] advertising stresses family and group benefits (Luna & Gupta, 2001); product information and recommendations are by word of mouth (Nakata, 2002); consumers are lesser apt to choose new product (Nakata & Sivakumar, 1996; Yaveroglu & Donthu, 2002); and stores have less product variety (Sternquist, 1998).

Individualist countries: government does not get involve in business protectionism (Sternquist, 1998; Fernie & Fernie, 1997); workers prefer entrepreneurship (Sternquist, 1998); employees work individually and individual accomplishment is important (Sternquist, 1998); company has no right to know about employees personal life (Sternquist, 1998); consumer has right to purchase any product. (Sternquist, 1998);[4] branding is done to be different from the group (Luna & Gupta, 2001); advertising stresses individuality (Luna & Gupta, 2001); product information needs to be within the

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[3] Two factors are involved here. Consumers in collective societies like to be uniformed and fit in. Therefore, product purchases must match group expectations. This leads into branding for both product and retail store. (Luna & Gupta, 2001) People in collectivist societies want product brands that match the group. Moreover, they want to shop where the group shops.

[4] Individual tastes and were to shop are individual decisions.

retail environment, preferable on the product itself; consumers are more apt to choose a new product (Nakata & Sivakumar, 1996; Yaveroglu & Donthu, 2002); and stores have more product variety. (Sternquist, 1998).

P_3 – Masculinity: the degree the society reinforces the traditional masculine work role model of male achievement, control, and power influences international retail marketing strategy.

Countries low in masculinity have: sex-neutral products (Sternquist, 1989); women and men are bosses (Sternquist, 1989); environmentally friendly companies (Sternquist, 1989); retailers close during evenings and weekends (Sternquist, 1989); environmental sound products (Sternquist, 1989); cooperatives retailers (Sternquist, 1989); long-term sustainable customer service (Sternquist, 1989); corporate sponsorship of community events (Sternquist, 1989); unique and independent retailers (Sternquist, 1989); and women have less time to shop and want to be in and out of the store quickly (Sternquist, 1989).

Countries high in masculinity have: sex-specific products (Sternquist, 1989); male dominated management (Sternquist, 1989); high profit at all costs company (Sternquist, 1989); retailers that have extended or 24 hour service (Sternquist, 1989); products that are not environmentally friendly (Sternquist, 1989); corporate retailers (Sternquist, 1989); high growth, short-lived products (Sternquist, 1989); separation of corporate and community goals (Sternquist, 1989); large corporate retailers (Sternquist, 1989); and women have more time to shop and prefer browsing the retail stores (Sternquist, 1989).

P_4 – Uncertainty Avoidance: The level of tolerance for uncertainty and ambiguity within the society influences international retail marketing strategy.

Countries low in uncertainty avoidance: shopping is an enjoyable family experience (Sternquist, 1998); provide full service, time is not relevant (Sternquist, 1998); use low-key sales approach (Sternquist, 1998); products purchased to show individualism (Sternquist, 1998); will be more willing to try new products (Yaveroglu & Donthu, 2002); deviance is demonstrated through visible products such as clothes (Sternquist, 1998); youth as important target group (Sternquist, 1998) – this affects how youth are serviced in the store and how youth friendly a store is; common laws apply to commercial activities (Sternquist, 1998) – laws change and adapt over time; innovations come from the common person (Sternquist, 1998); have less concern over store return policies; buy from large and small retailers alike (Sternquist, 1998); will adapt to new products quickly (Goldhar, Bragaw & Schwartz, 1976); and do not have a preference to self-serve vs. full service (Sternquist, 1998).

Countries high in uncertainty avoidance: shopping is stressful and should be minimized (Sternquist, 1998); provide self service, time is relevant and the consumer wants to maximize time in the store (Sternquist, 1998); use hard sell approach (Sternquist, 1998); products purchased to show that they maintain affiliation to the group (Sternquist, 1998); do not use products to be deviant (Sternquist, 1998); youth as trouble makers to be monitored (Sternquist, 1998) – stores are unfriendly to youths and watch them while they are in the store; laws are prescribed and do not change over time (Sternquist, 1998); innovations come from powerful and wealthy people (Sternquist, 1998); have more concern over store return policies; buy from large established retailers (Sternquist, 1998); will resist new product adoption (Goldhar, Bragaw & Schwartz, 1976); and prefer self-service (Sternquist, 1998).

P_5 – Long-term Orientation: The degree the society embraces long-term devotion to traditional, forward thinking values influences international retail marketing strategy.

Countries having a long-term orientation: customer for life value important; measure and track total customer value; build customer satisfaction and have customer satisfaction standards (Senguder, 2001); have positive after sales dealings with fair return and service policies (Senguder, 2001); employ the marketing concept (Narver & Slater, 1990); do not use credit, they buy with cash only (Nakata & Sivakumar, 1996); and tend to shop at older and developed retailers (Nakata & Sivakumar, 1996).

Countries not having a long-term orientation: concerned with current and not future transactions; do not measure and track total customer value; are not concerned with customer satisfaction (Senguder, 2001); have negative or unhelpful after service dealings (Senguder, 2001); do not use the marketing concept (Narver & Slater, 1990); buy on credit (Nakata & Sivakumar, 1996); and will shop newer and older stores alike.

3.6 The Research Model

The research model will relate the strategic marketing factors to Hofstede's culture model to determine which specific market strategy factors are affected by culture and how each factor is affected. In section 2.2.6.3.4, the strategic marketing factors were identified through a literature comparison of the available market factors. The factors are: product price, product assortment, product branding, customer service quality, store services, store reputation, physical location of store, retail format of store, advertising and promotion, product selection (depth), company social image, store branding, shopping atmosphere, and store hours of operations.

However, these factors were developed in isolation of international marketing needs. Section 2.2.6.4.2 reported various international marketing models that may contain additional marketing factors that need to be included in the model. Reviewing these models we find the following:

1. The SIRE model examined international retail expansion options looking at how fast and how many stores to enter a foreign market with. In addition, the Stages Theory addresses the same issues. During the examinations of culture to factors it was found that these issues can be related to Hofstede's cultural factors. Therefore, market entry strategy (global and multinational expansion by franchising, joint venture, and wholly owned subsidiaries) will be added into the factors model. Moreover, the factor for speed of entry into the market, how many stores are opened and how fast, are also be included as a factor.
2. Hill & Still's (1984) work on product introduction was related by Nakata & Sivakumar (1996) to Hofstede's cultural dimensions. How fast and how willing a culture adapts to new products is affected by their culture. Moreover, how fast a culture demands new products is affected by culture. Therefore, new product adoption/demand will be added into the factors model.
3. Sternquist (1998) concluded that location was a critical issue in retail success. Moreover, obtaining this location in the desirable shopping areas could prove crucial to success. Sternquist determined that first mover advantage is critical to obtain this location. Relating first mover advantage to culture, we found

that certain cultures will not shop outside certain boundaries. Moreover, certain cultures value how long a store is in operation when making their shopping decisions. Because of this, first mover advantage as a retail strategy factor is included in the model.

4. In the fourteen strategic marketing factors form section 2.2.6.3.4, product branding was discussed. However, Sternquist (1998), found private labels (product branding) directly related to the ownership advantage in the OLI model. Moreover, the acceptance of private label goods could be related to cultural factors in society. Although this factor is mentioned it the original retail factors it required further definition here.
5. The strategic marketing factor of the physical location of the retailer was addressed earlier. However, international retailing introduces additional considerations into the physical location factor that need further clarification. Christaller's (1963) Central Place theory discussed earlier relates store location to other stores in the area. Culture was found to affect the consumer's view of the retail location depending on if the retailer located within a central place.
6. Narver & Slater (1990) identified the marketing concept as a overall marketing strategy for business. The marketing concept investigates what consumers want and directs the firm to provide that to the consumer. Consumer preferences were found to be influenced by culture. Therefore, overall marketing concept strategy should be affected by cultural in some way. A factor for whether a retailer actively practices marketing strategy will

be included as a factor in the model.

With all the strategic market factors identified the next step in the model building is relating the Hofstede cultural factors to the strategic marketing factors they affect. This is done by comparing the research propositions in section 3.5 to the strategic marketing factors. From here testable research hypotheses are formed developing a prescriptive model of how each cultural variable affects the marketing strategy of the international retailer and through what marketing strategy factor the cultural factor acts.

H_1 – Power Distance Index: the degree of equality, or inequality, between people in the country's society influences international retail marketing strategy.

- For countries with a smaller power distance factor (consumers avoid the illusion of wealth and power) to home country, retailers will: have less product assortment, have less high priced product brand name products, and have more product selection (depth).
- For countries with a larger power distance factor (consumers want the illusion of wealth and power) to home country, retailers will: have more product assortment, have more high priced product brand names, and have less product selection (depth).
- For countries with a smaller power distance factor to home country, the retailer should observe more empowered sales people able to handle customer problems. Retailers will observe greater customer service quality.
- For countries with a larger power distance factor to home country, the retailer should observe less empowered sales people able to handle customer problems and most customer problems will be handled by management. Retailers will

observe less customer service quality at the associate level.

- For countries with a smaller power distance factor to home country, small retailers are more successful because owners interact with customers more. Retailers will observe greater customer service quality.
- For countries with a larger power distance factor to home country, larger retailer's upper management are removed from customers. Retailers will observe the company will not be practicing the marketing concept.
- For countries with a smaller power distance factor to home country, all customers wait in the same line to be serviced. Retailers will observe: better customer service quality as people wait there turn and less stressful shopping atmosphere as people wait there turn.
- For countries with a larger power distance factor to home country, powerful customers go to the front of the line. Retailers will observe: decline in customer service as people cut ahead and more stressful shopping atmosphere as some customers may feel discriminated against.
- For countries with a smaller power distance factor to home country, retailers will use general supervision of its employees and have flexible work schedules. Retailers will observe greater customer service quality and satisfaction through more positive associate-customer interactions.
- For countries with a larger power distance factor to home country, retailers will use stricter supervision of its employees and have more rigid work schedules. Retailers will observe less customer service quality.
- For countries with a smaller power distance factor to home country, retail formats

are more self-service allowing customers direct access to the products.

- For countries with a larger power distance factor to home country, retail formats are more full service requiring customers to work through sales people.
- For countries with a smaller power distance factor to home country, management uses a more decentralized marketing strategy allowing local retail management more autonomous power. Retailers will observe: more flexibility in product price, more flexibility in product assortment, increases in customer service quality, more customization in advertising and promotion, more flexibility in store hours of operation (assuming no external restrictions), market entry strategy more toward multinational than global, and greater adoption of the marketing concept.
- For countries with a larger power distance factor to home country, management uses a more centralized marketing strategy allowing local retail management less autonomous power. Retailers will observe: less flexibility in product price, less flexibility in product assortment, decreased in customer service quality, standardization in advertising and promotion, less flexible store hours of operation, market entry strategy more toward global than multinational, and lesser use of the marketing concept to the foreign retail operation.
- For countries with smaller power distance factor retailers will observe that consumers are more accepting of new products.

H_2 – Individualism-collectivism: the degree the society reinforces individual or collective, achievement and interpersonal relationships influences international retail marketing strategy.

- For countries with greater collectivism factor to home county, the governments will support smaller retailers with protective laws and incentives. Retailers will observe: more restrictions on store location as retail size increases and more restrictions on the retail format.

- For countries with greater individualism factor to home county, the governments will not interfere with retail competition. Retailers will observe: less restrictive laws on store location to store size and less restrictive laws on retail format.
- For countries with greater collectivism factor to home country, employees prefer to work for large companies. Retailers will observe market entry and operation strategies lean more toward joint ventures and wholly owned subsidiaries.
- For countries with greater individualism factor to home country, workers prefer entrepreneurship. Retailers will observe market entry and operation strategies lean more toward franchising.
- For countries with greater collectivism factor to home country, employees prefer to work in teams and team achievement is important. Retailers will observe increases in customer service quality.
- For countries with greater individualism factor to home country, employees prefer to work individually and individual accomplishment is important. Retailers will observe customer service quality to be less constant and depend on individual interactions.
- For countries with greater collectivism factor to home country, group members give purchase rights to consumer. Retailers will observe: less product assortment, less product branding, increased store services, advertising and promotion directed more toward group than individual, and shopping atmosphere adjusted

for group shopping.

- For countries with greater individualism factor to home country, consumers have the right to purchase any product. Retailers will observe: increases in product assortment, increases in the number branded products, advertising and promotion directed more to the individual than the group, store branding more important to consumer, and easier adoption of new products.
- For countries with greater collectivism factor to home country, advertising and promotion stresses family and group benefits.
- For countries with greater individualism factor to home country, advertising stresses individuality.
- For countries with greater collectivism factor to home country, product information and recommendations are by word of mouth. Retailers will see customer services quality requires less need for product knowledgeable sales staff.
- For countries with greater individualism factor to home country, product information needs to be with the retail environment. Retailers will see customer service quality require more product knowledgeable sales staff.
- For countries with greater collectivism factor to home country, consumers are less likely to adopt new products.
- For countries with greater individualism factor to home country, consumers are more likely to adopt new products.
- For countries with greater collectivism factor to home country, there should be smaller product assortments.

- For countries with greater individualism factor to home country, there should be greater product assortments.

H_3 – Masculinity: the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power influences international retail marketing strategy.

- For countries low in masculinity factor to home country, there should be more sex-neutral products. Retailers will observe: product assortment is more sex-neutral, product branding is more sex-neutral, advertising & promotion are more sex-neutral, store branding is less geared to sex differences, and shopping atmosphere is more sex-neutral.
- For countries high in masculinity factor to home country, there should be more sex-specific products. Retailers will observe: product assortment is more sex-specific, product branding is more sex-specific, advertising & promotion are more sex-specific, store branding is more geared to sex differences, and shopping atmosphere is more sex-specific.
- For countries high in masculinity factor to home country, management is made up mostly of males. Retailers may see an increased negative company social image.
- For countries low in masculinity factor to home country, retailers are more environmental conscious. Retailers will observe: retailers more environmentally conscious will have a better company social image and retailers less environmentally conscious will have a worse company social image.
- For countries low in masculinity factor to home country, retailers close during

evenings and weekends. Moreover, country laws delegate this. Retailers will observe: more retail stores close early on weekdays and have limited store hours on weekends and more retail stores closing on holidays.

- For countries high in masculinity factor to home country, retail hours are extended to allowing for more shopping time. Retailers will observe: more retailers staying open later and on weekends, more retailers staying open 24 hours, and more retailers staying open on holidays.
- For countries low in masculinity factor to home country, products are more environmentally friendly. Retailers will observe product assortment includes more "green" products.
- For countries high in masculinity factor to home country, products do not have to be environmentally friendly. Retailers will observe product assortment more independent of "green" products.
- For countries low in masculinity factor to home country, more retailers are cooperative retailers. Retailers will observe: increases in the number of store services, especially those by independent stores within the retail store and physical location and retail format will have more smaller retail stores located closer together.
- For countries high in masculinity factor to home country, more retailers are corporate retailers. Retailers will observe an increase in larger retail formats and retail superstores.
- For countries low in masculinity factor to home country, more focus on long-term sustainable customer service. Retailers will observe: higher customer

service quality, increase in store reputation, greater depth in product selection, friendlier shopping atmosphere, and greater emphasis on marketing concept.

- For countries high in masculinity factor to home country, greater concentration on high growth and short-lived products. Retailers will observe: increases in standardization of retail format, greater speed of retail store expansion, greater speed in new product introduction, and more use of the first mover advantage into new markets.
- For countries low in masculinity factor to home country, increases in corporate sponsorship and community events. Retailers will observe increases in retailer giving to the community.
- For countries high in masculinity factor to home country, increases in separation of corporate and community goals from retailer goals. Retailers will observe retailers giving less or nothing to the community.
- For countries low in masculinity factor to home country, increases in unique and independent retail formats.
- For countries high in masculinity factor to home country, increases in large corporate retailers.
- For countries low in masculinity factor to home country, women have less time to shop and want to be in and out of the store quickly. Retailers will observe: increase in product assortment to accommodate one stop shopping, increase in customer service quality, increase in store services, and more importance on store location.
- For countries high in masculinity factor to home country, women have more

time to shop and prefer browsing the retail stores. Retailers will observe improvements in the shopping atmosphere.

H_4 – Uncertainty Avoidance: The level of tolerance for uncertainty and ambiguity within the society influences international retail marketing strategy.

- For countries lower in uncertainty avoidance factor to home country, shopping is a more enjoyable family experience. Retailers will observe: increases in store services and improvements in shopping atmosphere.
- For countries higher in uncertainty avoidance factor to home country, shopping is stressful and should be minimized. Retailers will observe: increases in product assortment, increased efficiency in customer service quality, changing from a larger to smaller retail format, and increases in store hours of operation.
- For countries lower in uncertainty avoidance factor to home country, retail stores will be more full service (increased customer service quality) having sales people spend more time with customers.
- For countries higher in uncertainty avoidance factor to home country, retail stores will be more self service because personal time is more precious. Retailers will observe: retail formats that allow for quicker customer access to goods and increased store hours of operation.
- For countries lower in uncertainty avoidance factor to home country, increases in low-key sales approach. Retailers will observe: less customer service and information and less advertising and promotion.
- For countries higher in uncertainty avoidance factor to home country, increases in hard sell approach. Retailers will observe increases in customer contact –

customer service quality.

- For countries lower in uncertainty avoidance factor to home country, products purchased to show individualism. Retailers will observe: increases in product assortment and increases in product branding.
- For countries higher in uncertainty avoidance factor to home country, products purchased to show that they maintain affiliation to the group. Retailers will observe decreases in product branding.
- For countries lower in uncertainty avoidance factor to home country, deviance of the people are demonstrated through visible products such as cloths. Retailers will observe increases in product branding.
- For countries higher in uncertainty avoidance factor to home country, people are less likely to use clothing to demonstrate deviant behavior. Retailers will observe decreases in product branding.
- For countries lower in uncertainty avoidance factor to home country, increasingly envision youth as an important target group. Retailers will observe: increasing customer service quality to youths, increases in product branding, increases in positive store reputation among youthful shoppers, increases in advertising and promotion to youths, and increasing friendly shopping atmosphere for youths.
- For countries higher in uncertainty avoidance factor to home country, youths are considered trouble makers. Retailers will observe: less youth items in product assortment, less youth product brand items, lower customer service quality for youths, increasing hostile store reputation for youths, and less advertising and

promotion to youths.

- For countries lower in uncertainty avoidance factor to home country, consumers have less of a concern over store return policies. Retailers will observe store reputation less dependent on return policy.
- For countries higher in uncertainty avoidance factor to home country, consumers have more of a concern over store return policies. Retailers will observe store reputation increasingly dependent on return policy.
- For countries lower in uncertainty avoidance factor to home country, population buys from large and small retailers alike. Retailers will observe increases in size distribution of retail formats.
- For countries higher in uncertainty avoidance factor to home country, population buys from larger retailers to minimize risk. Retailers will observe increase in large retailers in their retail formats.
- For countries lower in uncertainty avoidance factor to home country, customers will adapt to new products more quickly. Retailers will observe increases in new products.
- For countries higher in uncertainty avoidance factor to home country, customers will resist new product adoption. Retailers will observe fewer new products being introduced by the retailer.
- For countries lower in uncertainty avoidance factor to home country, customers have less of a preference to self-service vs. full service retail formats. Retailers will observe increases in self service as a cost savings.
- For countries higher in uncertainty avoidance factor to home country, customers

prefer self-service. Retailers will observe increases in self-service to increase customer satisfaction.

H_5 – Long-term Orientation: the degree the society embraces, or does not embrace, long-term devotion to traditional, forward thinking values influences international retail marketing strategy.

- Countries having a long-term orientation compared to home country, find customer for life increasingly important. Retailers will observe: increases in customer service quality and increases in use of the marketing concept.
- Countries not having a long-term orientation compared to home country are increasingly concerned with daily sales. Retailers observe decreases in use of the marketing concept.
- Countries having a long-term orientation compared to home country, increasingly track and measure consumer value. Retailers will observe increases in a formal measuring and evaluation process for customer service quality.
- Countries not having a long-term orientation compared to home country have less of a formal tracking system to measure customer service quality.
- Countries having a long-term orientation compared to home country have greater customer satisfaction standards/plans.
- Countries not having a long-term orientation compared to home country have fewer customer satisfaction standards/plans.
- Countries having long-term orientation compared to home country have more positive after sales dealing with fair returns and service policies. Retailers will observe: increases in customer service quality and increases in store reputation

due to fairness in its dealings.

- Countries not having long-term orientation compared to home country have negative or unhelpful after service dealings. Retailers will observe: decreases in customer service quality and decreases in store reputation due to fairness in its dealings.
- Countries having long-term orientation compared to home country increasingly practice the marketing concept.
- Countries not having long-term orientation compared to home country decreasingly practice the marketing concept.
- Countries having long-term orientation compared to home country, customers do not use credit for purchases. Retailers will observe increasing sensitivity to price.
- Countries not having long-term orientation compared to home country, customers do use credit for purchases. Retailers will observe decreasing sensitivity to price.
- Countries having long-term orientation compared to home country, customer increasing shop at older and more developed retailers. Retailers will observe increasing number of first mover retailing stores.
- Countries not having long-term orientation compared to home country find consumers are less concerned how long a retailer has been in business. Retailers will observe first mover advantage is less valuable.

Figure 12 relates all the cultural factors to the strategic marketing factors given in the previous constructs. The next step in our model is to test these constructs to determine which prescriptive constructs have validity and which ones do not. In this manner, the model of cultural factors to retail factors can be refined.

Figure 12 Factors of Retail Strategy to Hofstede Cultural Factors					
Retail Strategy Factors	Power Distance	Individualism-Collectivism	Masculinity	Uncertainty Avoidance	Long-term Orientation
Product price	X				X
Product assortment	X	X	X	X	
Product branding	X	X	X	X	
Customer service quality	X	X	X	X	X
Store services		X	X	X	
Store reputation			X	X	X
Physical store location		X	X		
Retail format	X	X	X	X	
Advertising & promotion	X	X	X		
Product selection (depth)	X		X		
Company social image			X		
Store branding			X		
Shopping atmosphere	X	X	X	X	
Store hours of operation			X	X	
Market entry strategy		X	X		
Speed of retail expansion			X		
New product adoption / demand	X	X	X	X	
First mover advantage			X		X
Marketing Concept	X		X		X

CHAPTER 4

METHODOLOGY

4.1 General

Chapter 3 related Hofstede's five cultural factors to the 19 factors of international retail strategies that they may affect. Moreover, the chapter presented anecdotal and some research evidence of how these factors should be related. To avoid being unduly influenced by the anecdotal evidence in the previous literature, this research will use independent testing to determine if any relationships do exist between the five cultural factors and the 19 retail strategy factors. Following that determination, the factors that show a relationship will be analyzed and overlaid back on the original anecdotal data. This method will give a final model that describes how cultural factors affect various factors of international retail strategy.

4.2 Delimitations

There are five imposed limitations to this study.

1. Due to external limitations, only three strategic factors will be analyzed.
2. All research work will be done in a free market economy. No research will take place in any planned economy.
3. Simmons & Schindler (2003) determined that some consumer buying habits

were due to superstitions. Superstitions are not considered as a cultural variable in this study.

4. Only countries based in code law or common law will be researched. Countries with Islamic or Marxist law will not be considered in this study.
5. Only countries with a three rating or above on the Rostow scale (the take-off, the drive to maturity, and the developed high mass consumption countries) are considered in this research.

4.3 Countries Chosen for Inclusion in Study

The countries in Table 13 were chosen as the data set for this study because:

1. They represent a random sample of countries with American, European, Asian, Mexican and Indian cultural influences.
2. Each country meets the Rostow Model requirements of stage 3 and above as defined by the country's level of investment to GDP.
3. GDP per capita ranges from $2,900 to $37,800 representing developed and developing countries.
4. The selection of countries gives a broad range of measure over the five cultural factors (Table 14) that are studied. The ranges for each individual cultural factor are given in Tables 15, 16, 17, 18 and 19.

However, there are some concerns with the countries being used that may have some affect on the results of the study. The specific concerns are:

1. Brazil has a low GDP per capita and a high poverty rate indicating that consumers may purchase more essential products based on price sensitivity rather than cultural influences.
2. India has a low GDP per capita and a high poverty rate indicating that consumers may purchase more essential products based on price sensitivity rather than cultural influences. India's literacy rate is the lowest in the study. The countries being studied have a literacy rate between 86.4% and 99%. India's literacy rate is 59.5% total. Moreover, India's literacy rate is skewed to the males in the society; males having a literacy rate of 70.2% and females 48.3%. Not being able to read and understand can affect purchase decisions.
3. Mexico has a moderate GDP per capita and a high poverty rate indicating that consumers may purchase more essential products based on price sensitivity rather than cultural influences.
4. Philippines has a low GDP per capita and a high poverty rate indicating that consumers may purchase more essential products based on price sensitivity rather than cultural influences.

Although these factors are of concern they do not eliminate these countries from the study. These are concerns that may or may not affect the results of the data and are being mentioned here so they may be addressed later in the analysis of the data.

Country	Economic Factors			
	GDP per capita	**Investment (gross fixed) of GDP**	**Population below poverty line**	**Literacy Rate***
Brazil	$7,600 (2004 est.)	18% (2004 est.)	22% (1998 est.)	86.4% Total Male 86.1% Female 86.6% (2003 est.)
Germany	$27,600 (2004 est.)	17.7% (2004 est.)	NA	99% (1997 est.)
Hong Kong	$28,800 (2004 est.)	22.3% (2004 est.)	NA	93.5% Total Male 96.9% Female 89.6% (2002)
India	$2,900 (2004 est.)	23.1% (2004 est.)	25% (2002 est.)	59.5% Total Male 70.2% Female 48.3% (2003 est.)
Ireland	$29,600 (2004 est.)	22.9% (2004 est.)	10% (1997 est.)	98% (1981 est.)
Japan	$28,200 (2004 est.)	23.9% (2004 est.)	NA	99% Total Male 99% Female 99% (2002)
Mexico	$9,000 (2004 est.)	19.3% (2004 est.)	40% (2003 est.)	92.2% Total Male 94% Female 90.5% (2003 est.)
Netherlands	$28,600 (2004 est.)	20.1% (2004 est.)	NA	99% (2000 est.)
Philippines	$4,600 (2004 est.)	18.1% (2004 est.)	40% (2001 est.)	92.6% Total Male 92.5% Female 92.7% (2002)
South Korea	$17,800 (2004 est.)	29.6% (2004 est.)	4% (2001 est.)	97.9% Total Male 99.2% Female 96.6% (2002)
USA	$37,800 (2004 est.)	15.2% (2004 est.)	12% (2004 est.)	97% Total Male 97% Female 97% (1999 est.)

Table 13
Countries and Their Economic Indicators

Source: www.cia.gov: The World Factbook, 2005
* Defined as population age 15 and over who can read and write

Country	Hofstede Cultural Factors				
	Power Distance	**Individualism**	**Uncertainty Avoidance**	**Masculinity**	**Long Term Orientation**
Brazil	69	38	76	49	65
Germany	35	67	65	66	31
Hong Kong	68	25	29	57	96
India	77	48	40	56	61
Ireland	28	70	35	68	---
Japan	54	46	92	95	80
Mexico	81	30	82	69	---
Netherlands	38	80	53	14	44
Philippines	94	32	44	64	19
South Korea	60	18	85	39	75
USA	40	91	46	62	29

Table 14
Countries and Their Hofstede Dimensions of Culture

Source: International-Business-Center.com, 2005

Country	Power Distance
Ireland	28
Germany	35
Netherlands	38
USA	40
Japan	54
South Korea	60
Hong Kong	68
Brazil	69
India	77
Mexico	81
Philippines	94
Range	**94-28= 66**

Table 15
Hofstede's Power Distance Factors to Test Countries (ascending order)

Country	Individualism
South Korea	18
Hong Kong	25
Mexico	30
Philippines	32
Brazil	38
Japan	46
India	48
Germany	67
Ireland	70
Netherlands	80
USA	91
Range	**91-18 = 73**

Table 16
Hofstede's Individualism Factors to Test Countries (ascending order)

Country	Uncertainty Avoidance
Hong Kong	29
Ireland	35
India	40
Philippines	44
USA	46
Netherlands	53
Germany	65
Brazil	76
Mexico	82
South Korea	85
Japan	92
Range	**92-26 = 66**

Table 17
Hofstede's Uncertainty Avoidance Factors to Test Countries (ascending order)

Country	Masculinity
Netherlands	14
South Korea	39
Brazil	49
India	56
Hong Kong	57
USA	62
Philippines	64
Germany	66
Ireland	68
Mexico	69
Japan	95
Range	**95-14 = 81**

Table 18
Hofstede's Masculinity Factors to Test Countries (ascending order)

Country	Long Term Outlook
Ireland	---
Mexico	---
Philippines	19
USA	29
Germany	31
Netherlands	44
India	61
Brazil	65
South Korea	75
Japan	80
Hong Kong	96
Range	**96-19 = 77**

Table 19
Hofstede's Long Term Outlook Factors to Test Countries (ascending order)

4.4 Databases and Information Sources Used in Study

The information required for this study is from seven sources:

1. Euromonitor International database at www.euromonitor.com.
2. Mergent Online business database available at the Southern New Hampshire University library.
3. Online websites of the test companies. The test companies will be identified later in this section.
4. Online news services.
5. The Central Intelligence Agency World Factbook.
6. The World Bank – World Development Reports.
7. Interviews/correspondence with the test companies if needed.

The Euromonitor International database is the primary source of information used in this study and accounts for about 80% of all the data needed. Euromonitor International is the self-proclaimed "world's leading provider of global consumer market intelligence" and has over 32 years of publishing experience in the field. (About Euromonitor International, 2005) Besides having its own marketing research consultants, it compiles data from government and private sources giving it one of the largest, centrally-located, marketing databases in the world. The data Euromonitor International provided for this study are the consumer lifestyle reports and the retailing reports for the countries of: Brazil, Germany, Hong Kong, India, Ireland, Japan, Mexico, South Korea, Netherlands, Philippines, and the United States. Moreover, the retailing reports provide detailed information on the top retailers within each country. From this data the top ten retailers of each country are used when individual company information is needed for hypothesis testing. The top retailers used in this study are:

- Brazil
    - Companhia Brasileira de Distribuição (CBD) – Pão de Açucar
    - Carrefour
    - Casas Bahia
    - Sonae
    - Lojas Americanas – LASA
    - Ponto Frio
    - Bom Preço
    - Sendas
    - Wal-Mart
    - Pernambucanas

- Germany
    - Metro AG
    - Rewe Group
    - Edeka/AVA Group
    - Aldi Group
    - Schwarz Group
    - KarstadtQuelle
    - Tengelmann Group
    - SPAR Group
    - Otto Group
    - Schlecker

- Hong Kong, China
    - AS Watson & Co Ltd
    - Dairy Farm Holdings Ltd
    - AEON Stores (Hong Kong) Ltd
    - China Resources Enterprises Ltd
    - Wheelock & Co Ltd
    - Chow Sang Sang Holdings International Ltd
    - Li & Fung (Retailing) Ltd
    - Dickson Concepts International Ltd
    - Sa Sa International Holdings Ltd
    - Wing On Department Stores (Hong Kong) Ltd

- India
    - Bata
    - RPG Enterprises
    - Pantaloon Retail
    - Shoppers' Stop
    - Subhiksha
    - Viveks

    - LifeStyle International
    - Trent
    - Ebony Retail Holdings
    - Home Stores India

- Ireland
    - Tesco Ireland
    - Dunnes Stores
    - Superquinn
    - Roches Stores
    - Eason & Son Ltd
    - Associated British Foods Plc
    - Marks & Spencer (Ireland) Ltd
    - Brown Thomas Group Ltd
    - Boots Retail Ireland
    - Arnotts Plc

- Japan
    - Ito Yokado
    - Aeon
    - Daiei
    - Takashimaya
    - UNY
    - Seiyu
    - Mitsukoshi
    - Daimaru
    - Isetan

- Mexico
    - Wal-Mart de México, SA de CV
    - Organización Soriana, SA de CV
    - Controladora Comercial Mexicana, SA de CV
    - Grupo Gigante, SA de CV
    - El Puerto de Liverpool, SA de CV
    - Grupo Sanborn's, SA de CV
    - FEMSA-Comercio, SA de CV
    - Grupo Elektra, SA de CV
    - Coppel, SA de CV
    - Grupo Palacio de Hierro, SA de CV

- Netherlands
    - Royal Ahold NV (including Schuitema NV)
    - Royal Vendex KBB NV
    - Laurus NV
    - Aldi BV
    - Blokker Holding BV

    - A.S. Watson Group
    - Uniconsult Group BV
    - Euretco NV
    - Intergamma BV
    - C&A Nederland CV

- Philippines
    - SM Group
    - Mercury Drug
    - Rustan's Group
    - Pilipinas Makro
    - Robinsons Group
    - Gaisano Group
    - Grand Union
    - Landmark
    - National Book Store
    - Watsons

- South Korea
    - LG Corp1
    - Shinsegae
    - Lotte Shopping Co Ltd
    - Samsung Tesco
    - Samsung Cheil Industries
    - Hi Mart
    - Hyundai Department
    - Stores Co Ltd
    - Carrefour Korea
    - New Core Co Ltd

- United States
    - Wal-Mart Stores Inc
    - Home Depot Inc, The
    - Kroger Co, The
    - Target Corp
    - Costco Wholesale Corp
    - Albertson's Inc
    - Safeway Inc
    - Walgreen Co
    - CVS Corp
    - Lowe's Inc

The Mergent Online business data base contains annual reports and other business data information on the companies listed above that will be used in this study. The specifics of what information is needed from this database are given in section 4.5 below.

Online websites for the companies listed above will be used to gather information needed that is not available from either the Euromonitor International database or the Mergent database. The information gathered from these websites is listed in section 4.5 below.

Online news services are used as an independent way to determine the "reputations" of the companies listed above.

The CIA World Factbook is a United States Government publication that provides basic economic information about a country such as population, GDP, and education level.

The World Bank – World Development Reports provides macroeconomic information on the wealth and prosperity of the country.

The last source of data will be from the investor's relationship department of the companies listed. If any data from section 4.5 below cannot be collected from secondary sources, a questionnaire, email or telephone call will be made to the company requesting the needed data.

4.5 Hypotheses and Testing Methods

This study examines if cultural variables influence international retailing strategies. The Hofstede cultural variables are given above and are of the numeric format ranging from 0 to 100. The variables that are used to determine retail strategy are also of numeric format but have varying ranges. After researching various dissertations around this topic, it is found that most research methods centered on some type of factor analysis, correlation or regression technique.

The critical area of research for this study centers on developing independent relationships between the five Hofstede cultural factors and the 19 factors of international retailing strategy. Based on this, factor analysis and simple correlation would not provide the information needed. Regression is the best technique to relate variables on a one to one basis. An examination of regression theory found two regressional techniques that modify regression into a more powerful tool needed for this study. The first technique is transformational regression. Transformational regression transforms the input and output variables using various math techniques such as log, natural log, and inverse form to allow the data to fit into a linear format. By using this technique, regression can be used on non-linear relations. The second technique is non-continuous regression, sometimes called discrete or limited variable regression. This modification on regression accounts for non-linear or point changes in the data fields by regressing more than one straight line on different parts of the data. Therefore, data that displays different linear arrangements can be analyzed using the regression technique. How the data plots out will determine which technique is used to analyze the data.

In section 3.6, the research model, the paper broke down the research areas along the five cultural factors. However, after an examination of the data, and to make the testing more independent of the anecdotal modeling, the testing is done along the lines of the 19 factors of international retail strategy.

Due to external restrictions only three of the retail marketing strategy areas are tested. The areas are product assortment, retail format, and retail expansion. Moreover, concerns over non-cultural factors influencing the results are addressed by including the most common factors of country wealth and population into the testing. Including these non-cultural factors allows this work to analyze the strength of the cultural factors against the influences of non-cultural factors on the retail marketing strategy factors.

The following is the list of three testable hypotheses and the testing methods this paper will analyze:

H1: Culture affects product assortment decisions. Product assortment is how many different products a store carries. To examine this relationship, the average number of different products a store carries will be regressed onto the five cultural variables. To estimate the number of different products a store carries, the functional areas of the store are divided into the store's size giving a representation of product assortment. This will be done for each of the top ten retailers for each country. The data is obtained from each country's retailing reports (2001-2003) available from the Euromonitor International database. The non-cultural factors to include in this analysis stem from the increases in wealth and population that may affect changes in product assortment. The variables of population, GDP per capita, and the number of consumers per store will be included in the regression to help explain product assortment. The number of consumers per store is calculated by dividing the total population by the number of retail outlets in the country. This information is obtained from the Euromonitor International Database.

H2: Culture affects the retail format decision. Retail format is the structure and setup of each store. To examine this relationship, the percentage of each store type for a country will be regressed onto the five cultural variables. The Euromonitor

International retailing reports for each country specify the number of stores in each category format. The non-cultural factors to include in this analysis stem from the increases in wealth and population that may affect the retail format. The variables of GDP, GDP per capita, and the population will be included in the regression to help explain the retail formats

H3: Culture affects the speed of retail expansion decisions. Market expansion is defined as new stores per year. To examine this relationship, the average growth rates (percentage of new stores) for each country will be regressed onto the five cultural variables. Number of new stores data is provided by the country's retailing reports of the Euromonitor International. Data is from 2001-2003. The non-cultural factors to include in this analysis stem from the changes in wealth and population that may affect changes in market expansion speed. The variables of population growth, GDP per capita growth, and GDP growth will be included in the regression to help explain the speed of market expansion decisions.

CHAPTER 5

DATA ANALYSIS AND RESULTS

5.1 Data Collection

Data was collected from five sources: the Euromonitor International database, the Central Intelligence Agency World Factbook, the World Bank – World Development Reports, X-Rates.com and FXHistory.

The Euromonitor International database was the prime source of information because of its collection of vast amounts of data from various government and private sources. Euromonitor International compiled the data into detailed retailing reports for each country used in this study. Moreover, these reports included information from company reports, company websites, online business data bases and news services. The information used from these reports were: country GDP (2000-2003), country population (2000-2003), total number of retail outlets (2000-2003), total number of furniture and home furnishings stores (2003), total number of electronics and appliance stores (2003), total number of building materials and garden supply stores (2003), total number of food and beverage stores (2003), total number of health and personal care stores (2003), total number of clothing and clothing accessories stores (2003) total number of sporting goods, hobby, book & music stores (2003), total number of general merchandise stores (2003), total number of miscellaneous retail stores (2003), growth rate of retail sales area (2000-

2003), and total retail sales area (2003). The country retail report also gave detailed information on the top ten retailers for each country. The information obtained for each these retailers includes: whether the retailer was international or local, the number of functional retail areas for each store (2003), the number of retail stores in-country (2003), and the total sales area (square meters) of the retailer in-country (2003).

Due to some concerns about the data, which will be discussed in the next section, the data from the Central Intelligence Agency World Factbook and the World Bank – World Development Reports was used to cross check and verify data from Euromonitor International. In specific, all population, GDP and GDP per capita data from Euromonitor International was verified against the World Factbook or the World Development Reports.

The data coming from the Euromonitor International country retailing reports was in local currency. Historic exchange rates from two services, X-Rates.com (www.x-rates.com) and FXHistory (www.oanda.com) were used to convert all numbers into American currency. An average exchange rate for the year was used in the conversion.

All data was entered into Excel worksheets. This allowed the raw data to be manipulated into the calculated data needed for the study. In specific, Excel calculated the: population growth rates, local currency GDP to GDP in $US, GDP per capita, GDP per capita growth rate, people per retail store, percentage of retail store formats, retail store growth rate, average store sizes, average store sizes to functional areas of store products, retail area per person, and percentage of specialty stores to general retail stores. The entire Excel workbook was imported into SPSS for analysis.

5.2 Data: Validity and Concerns

During data collection, concerns arose over the accuracy of the data provided by the Euromonitor International Country Retailing Reports. In specific there were five areas of concern: errors in GDP & Population data, missing company data, company data being less accurate then country data, retail outlet type breakdowns between countries, and breakdown of functional stores area between countries.

GDP and population errors were observed in two retailing reports from Euromonitor International. In specific, the values were off by a factor or 1,000 because the tables they were listed in had incorrect units listed for these values. All GDP and population data were compared against the World Factbook and the World Development Reports. Moreover, the calculated GDP per capita, calculated in this study, was also cross referenced against these reports. All GDP and population data were confirmed by at least two separate sources. The corrected data was used in this study.

The Euromonitor International Company reports contained in the Country's Retailing Reports had missing data about the companies. Moreover, the data that was provided for the companies seemed less accurate then the overall data of the country. This is because country data was provided by government sources and company data was self-reported. Attempts were made to find the missing data in other Euromonitor International reports with some success. However, when complete data could not be found for a company then that company was removed from the data set. In cases were data seemed to be incorrect, every effort was made to cross check the company data against other data sources. If the errors in company data could not be resolved or corrected that company was removed from the study. Out of 100 companies used in the study, twenty-one were removed for data errors or omitted data. This left 79 companies in the study. Most of the problems occurred in South Korea and the Philippines. It seems that company data in these two countries was less available.

The Euromonitor International Country Retailing Reports had inconsistent reporting between countries. Even though the data seemed normalized between countries, closer examination found that it was not. In specific, the breakdown of type of retail outlets used was based on the American Retailing Report. Type of retail outlet was defined by the North American Industry Classification System. (NAICS) This broke the retail stores down to nine types of retailers: furniture and home furnishings, electronics and appliance, building materials and garden supply, food and beverage, health and personal care, clothing and clothing accessories, sporting goods, hobby, book & music, general merchandise, and miscellaneous retail stores. However, countries like South Korea only had five types of retail stores with only two types matching the NAICS classification system. There was an attempt to normalize the data from other countries to the NAICS system. However, this resulted in much guess work in the division and summing of sections. Therefore, another means to normalize retail format data between countries was investigated. It was discovered that all country retail store format data could be divided into specialty retailers and general retailers. Overlaying this new division of retail formats back to the original hypothesis revealed that this measure would be adequate to examine retail formats to culture. Therefore, percentage of individual retail formats was condensed to two formats, specialty and general.

The last area of concern was in the division of functional store areas. With 100 companies in eleven countries it was discovered that each company, depending on what country it was in, defined its functional areas in different ways. Some stores stated that had only one functional retail area when in fact they had as many as five. Since functional area is critical in determining assortment, each company reported was reviewed for major product lines as it related back to the American standard. Each company reported that misstated its functional area was updated to reflect its normalized functional areas based on the American classification system. Three company reports were amended, two in Ireland and one in the Philippines.

5.3 Data Testing Procedures and Results

All data was imported into SPSS. Scatter plots were made for all twenty-four relationships to be tested. Moreover, eight additional data plots were performed for the speed of market expansion hypothesis because of a concern between expansion as defined by the number of new retail stores and expansion as defined by increases in overall retail area. Based on the graphs and previous empirical works, natural logarithmic relationships were expected. However, several curve estimation models were tested to further identify relationships in the data.[1]

Since the concern of this study is to find the differences between countries, the curve fittings were done without using a constant term in the equation. However, for thoroughness of the study both equations, one with a constant term and one without a constant term, were run and the data analyzed to determine if there was a significant

[1] The following eleven models were used to better fit the data: Linear [Y = b0 + (b1 * t)}; Logarithmic [Y = b0 + (b1 * ln(t))]; Inverse [Y = b0 (b1/t)]; Quadratic [Y = b0 +(b1 * t) + (b2* t**2)]; Cubic [Y = b0 + (b1 * t) +B2 * t**2) + (b3 * t**3)]; Power [ln(y) = ln(b0) + (b1 * ln(t))]; Compound [ln(Y) = ln(b0) + (ln(b1) * t)]; S-Curve [ln(Y) = b0 + (b1/t)]; Logistic [ln(1/Y) = ln(b0) + (ln(b1) * t)]; Growth [ln(Y) = b0 + (b1 * t)]; and Exponential [ln(Y) = ln(b0) + b1 * t)].

relationship.

Each factor was regressed separately due to the transformations needed in the regression process. In specific, some dependent variables required natural log (ln) transformations for some independent factors while some did not. With two different dependent terms it made it impossible to regress more than one independent variable at a time. Therefore, thirty-two independent regressions were run. Moreover, without a constant in the equation and each variable run separately, the significant results showed a very high significance level and an adjusted R-Squared. This was due to multicolinearity problems caused by the economic variables being correlated with the cultural variables.

After the curve models were run, any model that showed a significant relationship (defined as a significant F of 0.05 or below and a significant t-value for the variable 0.05 or below) were rank ordered by their F-value. Then each model was independently tested by transforming the variables as indicated by the model and then run through SPSS linear regression module. Residual analysis and normal probability plot analysis was performed to ensure the assumptions of regression were valid. It was not uncommon to find several models that predicted a relationship only to have residual analysis and normal probability plot analysis show many of these relationships to be faulty.

In the analysis of hypothesis section, there is an effort to combine the data in a transformational multiple regression format to see if further analysis of the results can be made and the proper R-Squared factors can be stepped in. Four techniques were examined to minimize multicolinearity problems: averaging variables, orthogonalizing the variables, ridge regression and stepwise regression. Averaging variables between economic indicators and cultural factors would be too inaccurate because of the size difference between the scales used. Cultural factor numbers are much smaller than the economic indicators of population and GDP resulting in the economic indicators overwhelming the cultural indicators. Orthogonalizing the variables appeared to be a good idea until the actual data analysis revealed that the overall R-squared increased only by 0.001 for hypotheses one and two, and 0.081 for hypotheses three. Even though this technique showed some very minor improvements, another technique provided better results. Ridge regression had an inherent problem in that it biased the coefficients resulting in an inaccurate relationship. Stepwise regression showed the most promise. However, even that technique failed to adequately explain much of the increased in R-squared as independent variables were added in. The specifics of each technique are further discussed in the analysis of hypothesis section.

Hypothesis one examined the relationship between the cultural factors and the breadth of product assortments a store carries. Breadth of product assortment was defined as the average space allocated to a functional store area; the larger the space, the greater the assortment of products. Table 20 shows the results of the analysis.

Factor	Relationship Type (Coefficient)	Significance	Adjusted R-Squared
Power Distance	Power (1.880)	0.000	0.986
Individualism – Collectivism	Inverse (122,761)	0.000	0.770
Masculinity	Not Significant		
Uncertainty Avoidance	Not Significant		
Long-term Orientation	Not Significant		
Population	Power (0.417)	0.000	0.965
GDP per Capita	Not Significant		
Number of Consumers per Store	Not Significant		

TABLE 20
Hypothesis 1: Culture Affects Product Assortment Decision Results

Hypothesis two examined the relationship between cultural factors and the retail format. As discussed earlier, due to the NAICS classification problems, the method of measurement for retail format was redefined to the percentage of specialty stores versus the percentage of general retail stores. For the data analysis the percentage of specialty stores for a country was related to the cultural factors. Table 21 shows the results of the analysis.

Factor	Relationship Type (Coefficient)	Significance	Adjusted R-Squared
Power Distance	Logarithmic (21.887)	0.000	0.986
Individualism – Collectivism	Not Significant		
Masculinity	Logarithmic (21.758)	0.000	0.975
Uncertainty Avoidance	Not Significant		
Long-term Orientation	Not Significant		
GDP	Logarithmic[2] (3.231)	0.000	0.988
GDP per Capita	Not Significant		
Population	Logarithmic[3] (4.882)	0.000	0.992

TABLE 21
Hypothesis 2: Culture Affects Retail Format Decision Results

[2] The GDP for the United States was so large in relationship to the other countries it was identified as an outlier point and therefore eliminated from the calculation.
[3] The population for India was so large in relationship to the other countries it was identified as an outlier point and therefore eliminated from the calculation.

Hypothesis three examined the relationship between the speed of retail expansion and the cultural variables. The original measure of speed of expansion is the growth rate of the number of new retail stores in a country. However, during the data collection process it was discovered that there was an increase in retail area that exceeded the increase in new stores. Upon further investigation it was found that retail stores expanded as well as built new stores. Therefore, two measures of expansion were explored. The first is the growth rate based on new stores. The second is growth rate based on increases in retail space. Both these dependent variables were regressed onto the cultural variables. The results of the data analysis are given in Table 22 and 23 below.

Factor	Relationship Type (Coefficient)	Significance	Adjusted R-Squared
Power Distance	Linear[4] (0.077)	0.001	0.664
Individualism – Collectivism	Not Significant		
Masculinity	Not Significant		
Uncertainty Avoidance	Not Significant		
Long-term Orientation	Not Significant		
Population Growth	Not Significant		
GDP per Capita Growth	Not Significant		
GDP Growth	Not Significant		

TABLE 22
Hypothesis 3: Culture Affects the Speed of Retail Expansion Results (Based on Number of New Stores)

[4] A constant term was added to this regression

Factor	Relationship Type (Coefficient)	Significance	Adjusted R-Squared
Power Distance	Linear[5] (4.685)	0.050	0.325
Individualism – Collectivism	Not Significant		
Masculinity	Logarithmic (0.726)	0.008	0.475
Uncertainty Avoidance	Not Significant		
Long-term Orientation	Not Significant		
Population Growth	Linear (2.621)	0.001	0.631
GDP per Capita Growth	Not Significant		
GDP Growth	Not Significant		

TABLE 23
Hypothesis 3: Culture Affects the Speed of Retail Expansion Results (Based on Increases in Retail Area)

5.4 Analysis of International Retailers

With the expansion of international retailing as a basic assumption of this study, it is important to determine how many retailers fall within this category for the countries in this study. The Euromonitor International Country Retailing Report ranked the top ten retailers of each countries based on sales volume. Once the top retailers were identified, a review of their company reports (provided in the Country Retailing Reports) was done to determine if the retailer had stores in other countries or was associated with other international retailers. From the company data it was determined if the retailer did have

[5] A constant term was added into this regression.

operations in foreign countries and therefore should be considered an international retail operation. Table 24 below rank orders the eleven countries in this study based on the percentage of international retailers in the top ten country retailers. Germany had the highest ranking with 90% of its top ten retailers having international operations. India had the lowest ranking with only 10% of its retailers having international operations. USA was very close to the bottom having only 20% international retailers. Reasons given for the disparity may be due to the size of the country population and its physical proximity to other countries. Germany is a relatively small country that is part of the European Union. This leads retailers to expand to other countries much the same as American retailers expand to another state. However, India has a significant population to support local retailers indicating that retailers have not yet had to expand to other countries to maintain sales demand. Although this area of study was not considered as part of this dissertation it does indicate the importance of international retail operations and does lead to further areas of research.

Country	**Percentage of International Retailers of the top 10 country retailers**
Germany	90%
Hong Kong	83%
Japan	80%
Netherlands	75%
Mexico	56%
Ireland	50%
Brazil	43%
South Korea	29%
USA	20%
Philippines	17%
India	10%

Table 24
Analysis of International Retailers per Country

5.5 Analysis of Hypotheses

Hypothesis one examined the cultural effects on the breadth of product assortment decisions. It was proposed that product assortment increases as: power distance increases, individualism increases, masculinity increases, uncertainty avoidance decreases, population increases, GDP per capita increases, and number of consumers per store increases. The results found that only three variables were significantly related to product assortment: power distance, population, and individualism. Power distance had the most explanatory power for assortment breadth with an explanation of the variance of 98.6%. Population was second with an explanation of the variance of 97.5%. Individualism had an explanation of the variance of 77.0%. Because of the transformation of the dependent variable, a multiple regression could only be run with power distance and population as the independent variables to determine the true R-squared of these factors. A correlation matrix showed that natural log of power distance and the natural log of population were significantly (0.000) and highly correlated (0.995). This is an indication that cultural variables are related to economic variables and there may be opportunity here for further research in this area. When both power distance and population were entered into a multiple regression, both variables conflicted and became insignificant. A stepwise regression found power distance to be the factor that could explain product assortment. The stepwise regression did not include population in the formula because its addition did not provide any further insight. However, both factors independently did have a very high adjusted R-squared (0.986 and 0.965) indicating that either is a good predictor of product assortment. Therefore, each factor is examined separately to determine how it affects product assortment. Moreover, this technique provides multiple predictor techniques for product assortment decisions.

It was found that product assortment increases as power distance increases. The specific relationship is a power relationship having the formula:

$\ln(\text{assortment}) = 1.880 * [\ln(\text{power distance})]$[6]

This indicates a positive natural log relationship. In specific, as the natural log of power distance increase the natural log of assortment increases by 1.880. Since assortment was measured by space in square meters of a functional area this indicates the changes in space required in a specific functional retail area as power distance changes. Therefore, retailers moving between countries now have a measure of space requirement changes to country power distance changes.

Increases in population resulted in increases in product assortment. The specific relationship is a power relationship having the formula:

$\ln(\text{assortment}) = 0.417 * [\ln(\text{population})]$[7]

As above in the power relationship, one observes a positive relationship that allows retailers to adjust functional retail space based on changes in population between countries. It was expected that there would be this relationship, however, now the relationship is formally defined.

The relationship between individualism and product assortment is unexpected. It was expected that as the cultural factor of individualism increased so would the demand for different products. However, this was not the case. In fact it was the opposite. As people became more individualistic product assortment decreased. The exact opposite of what was predicted. The specific relationship is an inverse relationship having the formula:

$(\text{assortment}) = 122{,}761 / (\text{individualism})$

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[6] Note that there is no constant term used in this regression so this relationship is relative and not absolute.
[7] Note that there is no constant term used in this regression so this relationship is relative and not absolute.

Explaining this observation leads to the works of Nakata & Sivakumar (1996), Sternquist (1998), and Luna & Gupta (2001). Nakata believed that collective societies were less apt to choose new products based on their study of new product development. Sternquist's anecdotal evidence suggested that collective societies wanted less product assortment and individualistic societies wanted more. Luna and Gupta determined that branding of products was done to be different from the group. [8] Based on these three works, the prediction of increases in assortment followed increases in individualism was made. However, reviewing the above works we find only anecdotal evidence by Sternquist's observations that directly supported this hypothesis. The other two works findings were extended to retailing and it appears that it should not have been. Moreover, a review of Hofstede's definition of individualism shows that groups are defined by how their members interact. It was Nakata & Sivakumar (1996) that further defined collectivism to include "common group values." From this extension of the definition came the assumption that groups would act in the same fashion. However, the opposite was observed indicating increased individualism does not demand increased assortment.

Examining the relationships that were proposed but not significantly related is important. It was proposed that product assortment would be influenced by the cultural factors of masculinity and uncertainty avoidance and the economic factors of GDP per capita and number of people per store. The influence of masculinity was assumed from Sternquist's (1998) anecdotal evidence based on observations that countries low in masculinity would have more sex neutral products while countries high in masculinity would have more gender specific products and this would relate to increases in product

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[8] The study was done from the view point of international marketing and how culture affects marketing strategies. Retailing strategies was not considered in their work.

assortment. However, this assumption can not be proven. It appears that overall product assortment is not dependent on just gender specific products.

The model also predicted that uncertainty avoidance would affect product assortment breadth. Sternquist (1998) observed that people either purchase products to show individualism or connection to a group. It was assumed that collective societies would buy like items and therefore retailers need not carry a larger assortment. This is not the case. Yaveroglu and Donthu (2002) showed that as individualism increased, so did the willingness to try new products. From this it was gathered that uncertainty avoidance influenced the breadth of product assortment. However, willingness to accept new products did not translate in increases in assortment. Probably because old or lesser used products were dropped when new products were added resulting in no net change in assortment. Moreover, if store space were not increased then the physical restriction would also indicate that as new products are introduced old products are dropped.

GDP per capita and number of people per store did not translate to changes in breadth of product assortment. Logically these factors should have influenced product assortment. However, the data used in this study came from the same years. There was no lag variable introduced to account for the time needed for a retailer to expand when income and people per store increased. The physical restriction of store size and the time needed for a retailer to either build new or expand are the most likely the cause why no relationship was found with these variables. This would be an area for further investigation in a future work

Hypothesis two examined the cultural effects on the retail format chosen by the retailer. It was proposed that there should be an increase in specialty retailers as: power distance increases, as individualism increases, as masculinity increases, as uncertainty avoidance increases, as GDP increases, as GDP per capita increases, and as population increases. The results found that only four variables were significantly related to retail format: population, GDP, power distance and masculinity. Population had the most explanatory power for retail format with an explanation of the variance of 99.2%. GDP per capital was second with an explanation of the variance of 98.8%. Power distance was third with an explanation of the variance of 98.6%. Masculinity was fourth with an explanation of the variance of 97.5%. Since all significant relationships observed were found to be logarithmic further analysis was possible. The data was reanalyzed in a transformed multiple regression format. A correlation matrix of the input variables was also run to see if there were correlation problems. The correlation matrix calculated that all independent variables were related by at least 0.991 at a level of significance of 0.000. This indicated the presence of multicolinearity problems. A full transformed (logarithmic) multiple regression was run to observe the impact on the independent variable coefficients. All coefficients went from significant to insignificant indicating problems with the full model. Stepwise regression used only the natural log of population as an independent variable, excluding the other factors. However, all independent factors had an R-squared of 0.975 indicating that they should be further examined individually. Moreover, individual examination provides multiple predictors for the type of retail format that is preferred.

Examining the specific independent variables indicates that increasing population increases the number of specialty retail store formats. The specific relationship is a logarithmic relationship having the formula:

(retail format in percentage of specialty stores) = 4.882 * ln(population)[9]

This was an expected outcome that has now been quantified. As the natural log of the population increases, the natural log of the percentage of specialty retailers increases by 4.882. This can be used as an overall indicator for a retailer in deciding the general type of retail format that can be effective.

GDP was also significantly related to retail format; as GDP increases so does the percentage of specialty retailers. The specific relationship is a logarithmic relationship having the formula:

(retail format in percentage of specialty stores) = 3.231 * ln(GDP)[10]

This was also expected but it is now quantified and verified. As the natural log of GDP increases, the natural log of the percentage of specialty retailers increases by 3.231. This allows for GDP to be used to predict retail format decisions.

Power distance was significantly related to retail format; as power distance increases so does the percentage of specialty retailers. The specific relationship is a logarithmic relationship having the formula:

(retail format in percentage of specialty stores) = 21.887 * ln(Power Distance)[11]

This relationship was predicted because countries with large power distances have more people who distinguish themselves above others by what they buy and display thus resulting in more specialty shops having unique items. Therefore, as the natural log of power distance increases the natural log of the percentage of specialty retailers increases by 21.887.

Masculinity was significantly related to retail format; as masculinity increases so

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[9] Note that there is no constant term used in this regression so this relationship is relative and not absolute.
[10] Note that there is no constant term used in this regression so this relationship is relative and not absolute.
[11] Note that there is no constant term used in this regression so this relationship is relative and not absolute.

does the percentage of specialty retailers. The specific relationship is a logarithmic relationship having the formula:

(retail format in percentage of specialty stores) = 21.758 * ln(Masculinity)[12]

This was predicted by Sternquist (1998) but has now been quantified as the natural log of masculinity increases the natural log of the percentage of specialty retailers increases by 21.758. Sternquist based this on anecdotal observations that highly masculinity societies required more sex specific products resulting in a higher number of specialty retail stores.

There were three other variables that should have been related to retail format, they are individualism, uncertainty avoidance and GDP per capita. It was predicted that individualism would translate to increases in specialty stores because consumers would want to distinguish themselves from the crowd as they became more individualistic. However, this was not observed in the results. Further review of the tenants that built this theory indicated that governments in collective societies protect smaller independent retailers. The protection these specialty shops get may be the cause that offsets the individualistic shopping habits. The result is that individualism is dually related to retail formats by two opposing mechanisms.

It was predicted that uncertainty avoidance would be related to retail format. The theory was that as uncertainty avoidance increases, consumers would not want to make incorrect shopping decisions and therefore would choose a specialty store because it is assumed specialty stores provided better information in the shopping decisions. There are three areas to consider, do specialty formats provide better information in the shopping decision, do consumers buy at the specialty store or just go there for information, or are general stores less risky because of liberal return policies? Most

[12] Note that there is no constant term used in this regression so this relationship is relative and not absolute.

would agree that specialty stores are better informed about their products then a general retailer. If you don't believe this, just go to Wal-Mart and ask what the difference is between the plasma TVs it sells. However, it is not uncommon for a consumer to obtain information about product decisions from various sources, including specialty retailers, only to buy the product from a mass merchandiser for a cheaper price. Moreover, many general department stores are following the Wal-Mart return policy allowing liberal returns of purchased items. For these reasons, it may be of equal risk to purchase items from a specialty retailer as it is a general retailer resulting in no observable relationship between uncertainty avoidance and general retail format.

It was predicted that GDP per capita would be related to retail format; as income increased so to would the demand for specialty products. There may be three reasons this is not happening. First the statement may be incorrect. Second, the specialty products may be available at general merchandise retailers. The third reason is there may be some delay between increases in wealth and increases in specialty stores. For this study, increases in wealth were measured in the same year as retail store formats. If it takes retailers more than one-half a year to adjust formats then this relationship would not be measurable by the testing method used. Further research can reexamine this area by introducing a lag variable to help relate these factors.

Hypothesis three examined the cultural effects on the speed of market expansion for retailers. It was proposed that retailer's expansion rate grew as: masculinity increased, population growth increased, GDP per capita growth increased, and GDP growth increased. Two sets of tests were done because of the different definitions of growth rates. The first method measured growth rate by new retail stores. The second method measured growth rates by increases in overall retail sales area. For growth rate measured in new stores, rate of expansion was related to power distance. For growth rate measured in total sales area, rate of expansion was related to population growth, masculinity and power distance. Since power distance is included in both outcomes as positively related to rate of retail growth, the expansion model using number of stores will be analyzed with the expansion model based on retail sales area size.

Population growth had the most explanatory power for rate of market expansion with an explanation of the variance of 63.1%. Masculinity was second with an explanation of variance of 47.5%. Power distance was third with an explanation of variance of 32.5%. In the case of expansion defined by new store openings, power distance explained 66.4% of the variance.

For the growth rate of retail space, all factors related to an untransformed dependent variable allowing for a transformational multiple regression of all the significant variables. There was significant multicolinearity between all three independent variables. A full model regression was performed that resulted in two variables becoming insignificant and the third variable's coefficient changing significantly. Therefore, a stepwise regression was run. The stepwise regression included only population growth rate and excluded the masculinity and power distance variables. However, masculinity had an individual R-squared of 0.475 and power distance had an individual R-squared of 0.325. These values are too high to ignore and therefore, each factor will be analyzed separately.

Population growth was significantly related to speed of market expansion for retail sales area. The specific relationship is a linear relationship having the form:

(retail growth in percent area) = 4.685 * (population growth in percent)[13]

This was an expected result. As population grew by 1% retail sales area grew by 4.685%. This makes intuitive sense because more people indicate more shopping demand. However, now there is a measurable way to predict this retail expansion need. An unexpected result is that the number of new stores growth rate was not related to population growth rate. There are only two explanations of this, retailers are expanding existing stores or the new stores retailers are building are bigger in size than existing retail stores. Further research in this area is indicated to explain this difference.

Masculinity was significantly related to speed of market expansion for the retail sales area. The specific relationship is a logarithmic relationship having the form:

(retail growth in percent area) = 0.726 * ln(masculinity)[14]

This was an expected relationship indicating that as the natural log of masculinity increases the rate of retail growth increases by 0.726 percent. The reason for this is the positive relationship between masculine cultural traits and that of achievement, control, power, risk taking and entrepreneurship. All these traits are associated with business expansion. However, masculinity was not associated with retail outlet expansion rate. This leads to the belief that number of new retail stores may not be as good measure of expansion as growth of retail space. Furthermore, retailers may find it cheaper and faster to expand existing facilities then build new ones and this may account for the difference.

Power distance was found to be significantly related to retail store expansion rates both for new stores and increases in sales area. This was an unexpected find. No previous works identified this relationship. The specific linear relationships are:

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[13] Note that there is no constant term used in this regression so this relationship is relative and not absolute.
[14] Note that there is no constant term used in this regression so this relationship is relative and not absolute.

For retail sales area method:

(retail growth rate in percent) = 4.685(power distance)

For new retail store method:

(retail growth rate in percent) = 0.77(power distance)

The above two relationships both indicate a positive relationship between changes in power distance and growth rates of retail sales area and new retail stores. To further understand why this relationship exists one refers back to the Hofstede factors of power distance. As power distance increases, society accepts unequal distribution of power. Certain people have more power than others. To explain the relationship between power distance and the rate of retail expansion one must postulate that societies that accept unequal distributions of power willing accept the influences of entrepreneurial developers who use their power to speed the development of new businesses to include retail. This paper quantifies and documents this relationship but does not delve deeply into the theory that may further explain this. This area of research is left for future consideration.

The factors of GDP per capita growth and GDP growth were predicted to be related to retail expansion rate, but no significant relationship was found. Since logically there should be a relationship, one must examine the testing methods used. The testing method only used same year data. It is logical that increases in income are more elastic then increases in retail space. Therefore, there may be a lag between changes in income and addition of new retail stores and space. Logically this makes sense and opens up an entire new research area to examine the time lag between new retail space and increases in wealth for a future work.

CHAPTER 6

CONCLUSION

This paper looked to examine how retailing strategy was affected as it moved across country boundaries. The literature revealed that there were two schools of thought; one indicated that the factors of culture do not affect the retail strategy the other indicating that culture does affect retail strategy. This paper assumed that culture did affect retail strategy and set out to prove so. The paper defined and related various cultural models that could be used to help understand various cultures. The paper concluded that the Hofstede five factor model of culture was the best instrument to use in defining culture for this study.

Retail strategy was examined next. This paper started from the basic theory of the marketing concept combining it with various marketing, retail and international business theories to build a complete set of international retail strategies. The retail strategies were combined with the culture factors to form a testable research model on the affects of culture on these strategies.

Due to external constraints only three retail strategy factors were tested in this paper. They were cultural effects on product assortment, retail format and speed of retail expansion. In addition to cultural factors, various economic factors were introduced into the testing to gauge the affects of economic factors in relation to the cultural factors.

This paper concluded that the cultural factors of power distance and individualism did influence the breadth of product assortment decisions. As expected, as power distance increased, so did the assortment of products offered by retailers. However, as individualism increased, product assortment decreased. This was surprise finding that can only be explained by the original anecdotal evidence being incorrect. The model predicted that the breadth of product assortment would also be influenced by the cultural factors of masculinity and uncertainty avoidance. This may be so, but no significant relationship could be found between these factors and culture. The economic factors of population, GDP per capita and number of people per retail store were also tested. Population was positively related to product assortment indicating that as population increases so does the breadth of products carried. However, GDP per capita and number of people per retail store could not be related to product assortment decisions. As discussed in chapter five, this may be due to a lag between increases in wealth and the ability for a retailer to expand in that time frame. Further investigation is possible here for future work to see what lag time there is between demand for more products to when a retailer can provide them.

The cultural factors of power distance and masculinity influenced the types of retail format decisions. As expected, as power distance increased so did the relative proportions of specialty retail formats over general formats. Also, as expected, increases in masculinity caused increases in the percentage of specialty retailers. It was predicted that the cultural factors of individualism and uncertainty avoidance would also influence retail formats. This was not proven. In the case of individualism two opposing factors of consumers wanting to be different and government protection of small specialty retailers cancelled each other out. Uncertainty avoidance demonstrated a rift between where consumers get information about a product and where consumers actually buy the product. Moreover, with the global influence of Wal-Mart and its liberal return policy, consumers are willing to buy products they are unsure about because they can always return them.

The economic factors of GDP, GDP per capita and population were also tested to explain retail format decisions. GDP and population, as expected, showed a positive relationship to retail format. As GDP and population increased, so did the percentage of specialty retail formats. However, GDP per capita could not be related to retail format as expected. It is believed that as income increases, retail space takes time to adjust. Therefore, in order to fully study this area, a lag variable would need to be introduced. This is a prime area for future research identified in this paper.

The cultural factors of masculinity and power distance influenced the speed of retail expansion. As predicted, as masculinity increased so did the speed of retail expansion. This is explained by the traits of masculinity – achievement, control, power, risk taking and entrepreneurship, and the positive relationship these traits have in business expansion. What was unexpected and unpredicted was finding a significant positive relationship between power distance and speed of retail expansion. This can be explained by the character traits of high-powered business people. They are always seeking new achievements and these achievements are in the form of business expansion.

The economic factors population growth, GDP per capita growth, and GDP growth were also tested to explain the rate of retail expansion. Only population growth was related to retail expansion. As population grew so do retail. This is a logical and expected finding. However, GDP per capita growth and GDP growth could not be related to speed or retail expansion. It is theorized that there is a lag between increases in income and increases in supporting retail. Since this report used yearly data, the lag must be greater than one year. This is an areas identified for future research possibilities.

During the process of writing this paper several areas of future research were identified: an additional sixteen retail strategy hypotheses that still requiring testing, an observation that retail space per person appears to be slowing in growth and in some cases shrinking, a decline in consumer wealth in Hong Kong, a growth pattern of international retailing in foreign countries, relationships between cultural factors and economic factors, and retail stores that are growing in physical size.

The basic research tenants this paper developed were a relationship between nineteen international retail strategy factors and five cultural factors. This paper only tested three of these retail factors. This leaves sixteen factors for future research.

During data collection for this paper an anecdotal observation was made that the growth of retail space per person seems to be slowing and is decreasing in at least two countries in this study. It is hypothesized that Internet sales may be causing this phenomenon. This would be a prime area of research of the affects e-retailing has on traditional retail operations.

Again, during data collection GDP per capita in Hong Kong declined from 2000-2003 when translated to $US. This research does not explain this but decreasing relative wealth to the rest of the world will have some affect on foreign retail operations doing business in Hong Kong.

Data was collected estimating the percentage of international retailers in each country of this study. The percentages ranged from 10% (India) to 90% (Germany). Why certain countries attract international retailers while other do not was touched upon in this paper. However, this is an area for rich research in the future.

During data analysis it was discovered that cultural factors and economic factors were related. This is an interesting phenomenon to note because the relationship was so perfect that one could conceive that economic factors could substitute for cultural factors in future analysis. It also begs the question, does culture affect economics or does economics affect culture?

The last item identified for future research is the apparent growth of retail stores. It was anecdotally observed that new retail stores are being built larger then existing retail establishments. Whether this is so and how big these stores will get is another topic of future research.

In conclusion, this papers contribution to the international business field was the development and partial testing of an international retail strategy to cultural factors model and the discovery of two new relationships: product assortment to the cultural factor of individualism and speed of retail expansion to the cultural factor of power distance. Moreover, model testing revealed both theoretical and usable data for both the academic and the practitioner. The academic has a base model for future work and the practitioner has a partially usable model to help identify changes necessary when doing retailing in a different culture.

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