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Journal of Retailing and Consumer Services 15 (2008) 63–77
JOURNAL OF RETAILING AND CONSUMER SERVICES
www.elsevier.com/locate/jretconser

# International value chain processes by retailers and wholesalers — A general approach

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**Abstract**

Many traditional behaviorist or marketing approaches and descriptive models have been developed in the past to explain internationalization of retail firms. Only a few of these have a wider scope comparable to theories used today in international management research. The international retailing research so far has barely touched upon the international management of value-added activities and processes. This paper proposes and discusses a general value chain approach which opens up a promising perspective to provide a new direction for research and a better understanding of management options for increasingly internationalized retail firms. This appears to be all the more important because, in practice, more and more highly internationalized firms are structuring their value-added activities and processes on an increasingly international basis in order to gain competitive advantages or to increase their profits.


*Keywords:* Internationalization; Retailing; Value chain; Configuration; Coordination; Externalization

## 1. Introduction

Internationalization of modern retailing has been going on since the 1990s with increasing dynamics and due to market saturation in many western developed countries (Cliquet, 2006). The world's largest retailers, such as Wal-Mart, Carrefour, Metro, and Tesco (Swoboda et al., 2005), or smaller, specialized ones like Sephora and Douglas, H&M, and GAP, achieve growing foreign turnover rates, but also have to conduct their value chain activities or processes (VCAs or VCPs) on an increasingly international basis. Despite the fact that the number of publications on this topic is growing, particularly in comparison with national retail or general international management literature, the knowledge on international VCAs by retailers is still not that extensive. This paper sees internationalization of retail firms not merely as the important adoption to single country markets or the strategic internationalization on the sales side (Sternquist, 1997, p. 263). Just like Dawson (1993) and Sparks (1995), we examine procurement and management processes as a part of retail internationalization and look further at logistics, operations, and the whole firm's value chain. This view takes into consideration that all VCAs are also a potential source for retailers' competitive advantages at the international level and, ultimately, for their success in each individual country and across the countries served. Our aim is therefore to analyze the retail management opportunities in the areas of market-oriented processes and supply chain processes, accompanied by the management or business processes of each value chain activity (VCA), the value chain processes (VCPs), and the whole firm.

The paper develops first an approach based on retail-specific VCPs and the respective management dimensions. Second and built on this approach, we investigate VCAs across border, looking at research questions and management options, illustrating them with examples and short case studies. An integrative look at value-added systems and the dynamics of international retailing complete the paper. We try through this general value chain approach to

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0969-6989/$ - see front matter 
doi:10.1016/j.jretconser.2007.05.005

open up a promising perspective for the future to provide a better understanding of management options in increasingly internationalized retail firms.

## 2. Conceptual glance at retailing internationalization

### 2.1. Value chain approaches as a basis

The value chain perspective is mostly connected with Porter (1980), who defines a value chain as a market-oriented sequence of productive (i.e. value-added) activities leading to a firm's success. This concept, however, was further developed in economics and management in various ways, its basic idea being related to earlier theories of the retailing value chain or of distribution channel systems (Seyffert, 1931; Gill and Stern, 1969). Today, industry-specific value chains are discussed. Richardson (1996), for example, focused on the clothing value chain, and has highlighted that competition in the fashion sector has shifted to the arena of timing and know-how, where vertically integrated firms have gained the lead (see also Abecassis-Moedas, 2006). Of course, the value chains are different in food, fashion or furniture retailing. Fig. 1 — connecting to Zentes et al. (2004) — shows different primary and management value chain activities and processes in particular (see the marketing systematization by Srivastava et al. (1999) and retailing perspective by Ellis and Keller (1992).

Market-oriented processes and activities, such as market analyses, innovation and trend recognition, with the aim of transferring the trends to the sales floor, are (or should be) a starting point in retailing value chain management. These are followed by such market-oriented processes as planning of the format and shop design, as well as development of assortments and of customer-related processes (e.g. sales promotion, customer relationships). Supply chain processes are, for example, purchasing, order management, or operations (e.g. in the case of planning and control of private labels), and logistics (including stock management, or logistic management of flash and never-out-of-shelf programs in the fashion sector).

Market-oriented and supply chain processes are reciprocal, that is to say market-oriented processes are at the beginning and the end, and supply chain processes are in between. Furthermore, management processes in the narrow sense, especially structural decisions (e.g. organization), systemic decisions (e.g. planning, controlling), or cultural decisions (e.g. HRM), are not only relevant for coordination of each VCA or VCP, but also for coordination of the whole firm (Zentes et al., 2004). Beyond this, we focus on strategic processes. Strategic means that they are of primary importance in achieving firms' major goals. Operative support processes are considered separately. All of these can vary from one firm to the next so the choice is a subjective one.

### 2.2. Management dimensions of cross-border value chain activities and processes

Authors deal with different dimensions of (retailing) internationalization (e.g. Alexander and Myers, 2000; Vida, 2000). Focusing on approaches with wider scope, Sternquist (1997), for example, looks at OLI dimensions oriented towards the sales side: ownership advantages (particularly assets and transaction cost advantages), localization advantages (attractivity of markets), and internalization advantages (in the sense of protection of corporate secrets). Concerning VCAs, Porter (1986) looks at configuration (with the options of geographic concentration vs. dispersion) and coordination (with the options of low vs. high). Furthermore, it is common to view international management along the country axis (configuration or geographic-cultural distance), as well as the coordination or integration axis. In terms of VCAs, an internationalization mountain illustrates this view. Fig. 2 illustrates that innovation, for example, is mainly located and highly integrated in the UK and the USA, while market activities are found in each country, but at a different level of integration. This view can cover each particular VCA or the entire value-added system, providing an overall picture.

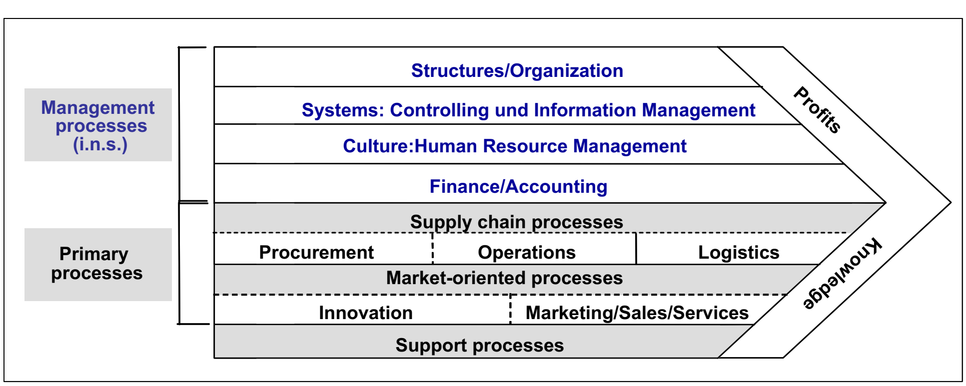


Fig. 1. Proposed international retailing value chain.