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Presentation

International Expansion in retailing: Why Some succeed and Many fail.

This paper seeks to understand the secret to Retailers' successful expansion to International markets. The path to international expansion is littered with failures. Virtually no grocery retailer except ALDI/LIDL has succeeded in expanding beyond domestic markets. The failure of grocery retailers is explained by the fact that food is a very local business and hence there are no synergies in scale. Domestic retailers can imitate the success of foreign retailers even if it takes some time. We expand this analysis to include the Top 250 retailers identified by Deloitte as Global Powers of Retailing. Eliminating luxury retailers and pharmacies yielded 22 retailers that could claim success in international markets. An in-depth analysis of these 22 retailers shows that these retailers can be categorized into two groups: (a) Specialty retailers by formats - e.g., Off-price, Deep discount, Warehouse/Clubs, Quick Service Restaurants etc. and (b) Specialty retailers by product categories - e.g., apparel, electronics, sporting goods, home goods etc. For both these groups, the key to success lies in the concept of "Balanced Adaptation." Balanced Adaptation requires retailers to adapt to the needs of the local markets but only to the degree that it does not dilute the essence of their "special sauce" that made them successful in the domestic market. The special sauce consists of not only the unique value proposition but also the process of putting it together. Retailers often lose their way in localizing either too much or too little.