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## **The internationalisation of grocery retailing and consumer reaction to foreign entrants – the case of Wal-Mart's entry into the UK<sup>1</sup>**

### **Zusammenfassung**

Wal-Mart gehört zur sogenannten Elite Gruppe der transnationalen Einzelhandelsunternehmen. Diese haben die Möglichkeit, die Strukturen der Märkte, in die sie expandieren, zu beeinflussen. Untersuchungen zur internationalen Handelsforschung haben bislang die Frage nach dem Einfluss ausländischer Firmen auf das Konsumentenverhalten vernachlässigt. Die vorliegende Studie nimmt sich dieses Fragenkomplexes an, indem sie untersucht, inwieweit es Wal-Mart gelingt, im britischen Markt einen ‚market spoiler effect‘ zu erzielen. Dieser beschreibt die Fähigkeit eines Einzelhandelsunternehmens, die Konsumentenpräferenzen im Gastland zum eigenen Vorteil zu beeinflussen. Sekundärdaten und systematische Zufallsstichproben in Haushalten im Einzugsbereich zweier neuer Wal-Mart ‚super centres‘ in England und Schottland weisen auf den Einfluss von Niedrigpreisen auf Konsumentenpräferenzen hin. In diesem Bereich hat Wal-Mart in Großbritannien die Konkurrenz überholt. Die Ergebnisse lassen darauf schließen, dass es Wal-Mart im Gegensatz zu anderen ausländischen Discountern gelungen ist, das Preisbewusstsein der Konsumenten zu beeinflussen und die Preisbandbreite im britischen Lebensmitteleinzelhandel zu vergrößern.

### **1 Introduction**

Compared to other industries, retailing continues to be a predominantly domestic market activity, despite the increasing internationalisation of key players. In the grocery sector, however, WRIGLEY (2002) argues that an ‚elite‘ group of transnational corporations now have developed the

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<sup>1</sup> The authors would like to thank Professor Stephen Arnold for his help in co-ordinating the overall project of which this UK survey is a part.

capability of disrupting the structure of any significant foreign market in Europe or elsewhere. This group of ‘big box’ grocery retailers is made up of Wal-Mart, Carrefour, Ahold, Tesco, Metro and warrant special attention in our understanding of retail internationalisation (RI). Much of the early work on RI focused upon the internationalisation of European grocery retailers, especially Carrefour (BURT 1986, 1991, 1994; DUPUIS and PRIME 1996). This company internationalised early and WRIGLEY (2000) has commented on how its early mover advantage has been eroded by the ambitious expansion plans of its major competitors. Until the 1990s it was generally accepted that the retail food sector was more ‘culturally grounded’ than other industrial sectors and therefore had less potential for internationalisation. This has all changed in the last decade as companies such as Tesco and Wal-Mart, which were primarily domestic operators, began to invest in international growth to compete with more established operators such as Carrefour, Ahold, Metro, Auchan, Casino, Aldi and Rewe. In Europe, Carrefour and Metro have been classed by the UK’s Institute for Grocery Distribution (IGD 2005a) as leading pan-European retailers, and the group of major players which are not yet pan-European, comprise twelve organisations from Germany, France, the Netherlands, the UK and USA (see Figure 1).<sup>2</sup>

Whilst western Europe nears saturation, Central and Eastern European (CEE) markets continue to grow and many of the top 14 players are represented in one or more of the CEE countries (IGD 2005a). Wal-Mart, the company that was feared to transform the whole of the European market, and is ranked twelfth in the IGD index, is only present in Germany and the UK. The plans to enter the developing markets of Eastern Europe have not yet been realized.

Nevertheless, the arrival of the world’s largest company in Europe has attracted both media (WHYSALL 2001) and academics’ attention, who tried to assess the effects on domestic retail market structures, either before (ARNOLD and FERNIE 2000) or after market entry (BURT and SPARKS 2001; KNORR and ARNDT 2003). Whilst traditional themes of the retail internationalisation debates (see below) were largely followed in these assessments, the role of consumer acceptance of a foreign retail proposition on the success of a new entrant was largely ignored.

To address this gap in the retail internationalisation literature in general and with regards to Wal-Mart’s international expansion, a series of linked

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<sup>2</sup> The IGD Retail Index takes into account several hard and soft factors, each with a special percentage weighting: Turnover (14%), Number of European countries of operation (18%), percentage of non-domestic European sales (7%), presence in key European markets (7%), home grocery market dominance (7%), clarity of European strategy (22%), development of a European culture (11%), level of European learning and sharing (14%).

Retailer	ERI Ranking 2005	Turnover Ranking*	European Status
Carrefour	1	1	leading pan-European retailer
Metro	2	2	
Lidl & Schwarz	3	6	major European retailer – not yet pan-European
Auchan	4	9	
Tesco	5	3	
Rewe	6	4	
Aldi	7	8	
Casino	8	14	
Intermarche	9	7	
Spar International	10	12	
Ahold	11	17	
Wal-Mart	12	11	
Leclerc	13	10	
Tengelmann	14	16	

Fig. 1: IGD European Grocery Retail Index (ERI) 2005

\* according to the ‘European Grocery Turnover League’

Source: adapted from IGD, 2005a

projects encompassing Germany, China and the UK was set up in 2001. Presented here are the findings of the UK study, which complement the article by GERHARD et al. in this volume on the German element of the research.

## 2 Retail internationalisation and the consumer

Apart from charting the activities and market shares of retailers trading across borders, the internationalisation debate in the (mainly Anglo-Saxon) literature has covered topics such as the motives for internationalisation (ALEXANDER 1995, 1997; WILLIAMS 1991, 1992; MCGOLDRICK 1995; PELLEGRINI 1992; DAWSON 1994, 2001), direction of growth (BURT 1993; ROBINSON and CLARKE-HILL 1990; DAVIES and FINNEY 1998; O’GRADY and LANE 1996; EVANS and MAVONDO 2002), methods of market entry (MOORE et al. 2000; QUINN 1998; DOHERTY 2000), the adaption/standardisation of retail offer and corporate culture (SALMON and TORDJMAN 1989; DUPUIS and PRIME 1996; VIDA and FAIRHURST 1998; GOLDMAN 2001), exit/divestment strategies (ALEXANDER and QUINN 2002; BURT et al.

2002, 2003; SPARKS and JACKSON 2005) and increasingly organisational learning in the strategic decision process (CLARKE and RIMMER 1997; PALMER and QUINN 2005).

Much of the early RI research drew heavily upon the international business and marketing literature. DUNNING's (1981) eclectic paradigm has been recognised as a theoretical framework for understanding direct investment in foreign markets. The Uppsala Internationalisation Model (JOHANSEN and WEIDERSHEIN-PAUL 1975) formed the basis of much of the research on psychic distance and the direction of international expansion, and LEVITT's (1983) globalisation of markets thesis stimulated discussion on the customisation/standardisation debate. By the late 1990s/early 2000s, the body of literature on RI was becoming sufficiently extensive to incorporate the strands of the general management literature into a conceptual framework of RI. Thus VIDA and FAIRHURST (1998) noted that the driving force behind RI was not only the ownership advantages identified by DUNNING but the knowledge, experience and attitudes of management towards specific markets. Similarly ALEXANDER and MYERS (2000) discussed how internal facilitating competences are upgraded to accommodate the lessons learnt from operations in new geographical areas. Whilst the emergence and future dominance of the elite of international grocery retailers has led to research on the corporate behaviour of these firms (WRIGLEY 2000; 2002) the importance of the consumer – although acknowledged (SAMPSON and TIGERT 1994; DUPUIS and PRIME 1996; ARNOLD and LUTHRA 2000; SEIDERS and TIGERT 2000; ARNOLD 2002; COLLA 2004) – has, with a few exceptions (DAVIES and FLEMMER 1995; ARNOLD et al. 1998; HANDELMAN and ARNOLD 1999) rarely been systematically studied.

Generally, consumers are dealt with separately in the consumer behaviour/marketing literatures, largely linked to considerations of national cultures and the convergence – divergence debate (see LEVITT 1983; MCCRACKEN 1989; APPADURAI 1990), applying HOFSTEDE's (1991) four dimensions of national culture (e.g. USUNIER 1993; HOFSTEDE 2001; DE MOOIJ 2000; STRAUGHN and ALBERS-MILLER 2001; DE MOOIJ and HOFSTEDE 2002).

A branch of consumer behaviour literature rarely used in (international) retail research, but instructive for the question on how far shopper preferences shape the destiny of a new entrant, refers to store patronage. Here (international) retailer success is assessed against the similarity of store choice attributes across markets. In addition, the question is raised on how far a new entrant is able to affect consumer preferences and thus shape markets through forcing particular norms – such as low prices – to the top of shopper evaluations. In the wake of movement in consumer preference

behaviour, competitors have to reconsider their own strategies and thus new entrants, particularly those of the elite group – including Wal-Mart – can destabilize existing retail structures through the ‘market spoiler effect’ and potentially improve their own market position.

### **3 Store patronage and the ‘market spoiler effect’**

Store patronage behaviour research refers to different consumer cultures that organisations must either adhere to or influence, i.e. adopt an adaptation or standardisation approach to RI. These consumer cultures find their expression in the importance attached to store attributes. Views rooted in traditional marketing and neo-classical theory assume that attributes are fixed and exogenous to the market place (STIGLER and BECKER 1977; NARVER and SLATER 1990; SLATER and NARVER 1994) and thus not influenced by new entrants. This means that store choice behaviour should be measured and results used to develop marketing plans, which meet consumer demand that is rooted in individual shopper values, social class, stage in their life cycle and lifestyle. As these are outside retailers’ sphere of influence (DARDEN 1979), new entrants can gain competitive advantage predominantly by meeting these preferences better than existing players. This view is echoed to some extent in COLLA’s (2004) assessment of consumer factors influencing national developments in retail sector structures. For the international corporation this would mean to follow either an adaptation strategy or to enter only those markets where store choice attributes are the same or at least very similar. Whilst companies like Ahold choose the adaptation route, category killers and corporations such as Wal-Mart, would be wise to enter markets with similar patronage behaviour only. Given Wal-Mart’s operation in ten very diverse markets, this would mean that the bundle of store choice attributes enticing customers into stores in the US are the same in South America, Europe and Asia.

Alternatively, CARPENTER and NAKAMOTO (1989), KARDES et al. (1993) and CARPENTER et al. (1994) portray store attribute saliency as part of and susceptible to movements in the environment, which can be specific to shopper type, the sector and region / country involved. As part of a dialectical process, marketing strategies can thus impact on consumer preferences. Companies defined as ‘market pioneers’ influence and develop consumer tastes on entry into a new/developing market. In contrast, ‘market spoilers’ are defined as those organizations shifting consumer preferences towards their own position when moving into an already existing market (ARNOLD et al. 1998). This interpretation could help to explain the success of category killers in diverse international markets.

Wal-Mart's activities in North America were related to the 'market spoiler effect' (ARNOLD et al. 1998) in that the company was able to shift consumer preference structures towards price, their most prominent strength. Price, after local convenience, was ranked second when consumers were asked for the reasons choosing a store. In the UK, ARNOLD and FERNIE (2000) found that price was ranked well below other attributes. However, six years after Wal-Mart's entry into the UK via the acquisition of Asda, this position has changed.

#### **4 Wal-Mart's role in the UK grocery market**

The UK grocery market is the third largest in Europe after Germany and France (IGD 2005a). It is highly competitive and dominated by a small number of main players. Like in the other two leading markets, domestic companies dominate the field, rendering entry of foreign competitors and sustained market success highly difficult, for example Carrefour exited the UK market in 1995 after only two years of trading. Nevertheless, a number of overseas companies rank among the major retailers, but, with the exception of Wal-Mart, their turnover and market influence pale into insignificance in view of the might of Tesco and Sainsbury (see Figure 2).

Wal-Mart's strong position among the market leaders is due to the acquisition of the Asda supermarket chain in 1999, which was regarded as a good match (BURT and SPARKS 2001) as Asda had for some time followed a similar trading and marketing strategy to Wal-Mart, which stretched to its organisational culture – a key element in the American company's formula for success.

In terms of outlet size, Asda posited the best match for Wal-Mart, as it had considerably larger trading areas than much of the competition, providing the American retailer with a platform of formats that is required to transplant their home strategies into the UK. In 1999, Asda's sales area added up to 9.3 million sq.ft. for 226 stores, as compared to Tesco's 15.9 million sq.ft. and Sainsbury's 12.3 million sq.ft. with considerably more outlets. In 2004, 77% of Asda's sales area was from stores of over 40,000 sq.ft. and the 44,300 sq.ft. average store size is the largest amongst the major multiples (IGD 2004a).

Store numbers have increased from 226 at the time of take-over to 271 but are considerably lower than those of all major competitors, which are lead by Tesco and the Co-operative group with more than 1,800 stores each. These, however, include the convenience format, a sector traditionally occupied by the Co-op and other symbol groups, but recently successfully targeted by Tesco as well as Sainsbury (IGD 2004a; see Figure 2).

Company	Fascias	Format	Store No.	Total UK Turnover 2004 (Mio. EUR)
Tesco	Tesco Extra	Hypermarket	100	40,034
	Tesco		446	
	Tesco Metro	Convenience	1233	
	Tesco Express			
	One Stop			
Tesco Express/Esso				
J Sainsbury	Savacentre	Hypermarket	502	24,028
	Sainsbury's		Supermarket/Superstore	
	Sainsbury's Central	Convenience	225	
	Sainsbury's Local			
	Sainsbury's At Bells			
Sainsbury's At Jacksons				
Sainsbury's Local/Shell				
Wal-Mart	Asda/Wal-Mart	Hypermarket	19	21,154
	supercentre		255	
	Asda	Non-food	7	
	Asda Living, George			
Morrisons	Morrisons	Hypermarket	30	18,134
	Morrisons, Safeway		403	
	Safeway BP	Convenience	61	
Somerfield	Somerfield, Kwik Save	Supermarket	1,153	7,001
	Somerfield Essentials		Convenience	
	Somerfield Total			
	Somerfield/Martins			
Waitrose	Waitrose	Supermarket	159	4,358
Spar International	Spar	Convenience	2,737	3,981
Baugur	Iceland	Freezer centres	764	unknown
Musgrave	Budgens	Supermarket	237	1,858
	Londis		Convenience	
Metro	Makro	Cash & Carry	33	1,667
Aldi	Aldi	Discount	278	1,660
Lidl	Lidl	Discount	390	1,550
Costco	Costco	Wholesale Club	15	1,296
Dansk Supermarket	Netto	Discount	139	440

Source: adapted from IGD, 2005a

Fig. 2: Major retailers in the UK 2004

At the time of acquisition, Asda occupied third position in terms of turnover among the major UK food multiples. In 2004, it overtook Sainsbury to become the number two player with a 17 per cent market share, but in 2005, its market share has stalled and it is falling further behind Tesco, which has over 30 per cent of the market. Furthermore, Wal-Mart's ambitions to be the leading operator in each market it entered was thwarted in 2003 when it failed to acquire the Safeway chain. Asda Wal-Mart's UK expansion

ambitions are limited by the availability of adequate sites, nevertheless, the initial target of opening ten supercentres (over 80 000 sq.ft.) has been extended to twenty. To overcome restrictions in building new stores, Asda Wal-Mart have introduced mezzanine floors in existing outlets, reduced backroom space and achieved better space utilization in store (FERNIE et al. 2005) through supply chain initiatives (ARNOLD and FERNIE 2000; BURT and SPARKS 2001; FERNIE and ARNOLD 2002).

Most striking – and a key element when considering patronage behaviour – are the similarities between Asda and Wal-Mart with regards to pricing strategies. The American corporation entered the UK at a time when the British retail sector was under scrutiny by the Competition Commission investigating the competitive behaviour of the largest supermarket groups (COMPETITION COMMISSION 2000). The “rip-off Britain” debate (ARNOLD and FERNIE 2000) suited the corporation’s strategy, in which Every Day Low Prices (EDLP) are the key to success. Asda was already operating at similar price levels to its new parent company (BURT and SPARKS 2001) with scope for further reductions. As no other British supermarket was operating an EDLP strategy at the end of the 1990s, Wal-Mart was able to enter the market with a unique selling proposition. Various market surveys showed price ranked behind product quality and location, or sixth after convenience, facilities, quality, assortment, staff (ARNOLD and FERNIE 2000). This relative indifference to price in store choice attributes may be due to a lack of price differential among the main competitors (and hence reason for the Competition Commission investigation), which provides a gap in the trading structure that a new entrant could exploit.

As store patronage behaviour in the UK was distinctly different to that in North America – where price and convenience are the most important norms (ARNOLD 2003), market success seems to be predicated on the assumption that the market spoiler effect can be invoked. However, this had not happened when the hard discounters Aldi, Netto and Lidl entered the UK market in the early 1990s. Although indigenous British retailers showed a renewed interest in experimenting with price oriented formats (DUKE 1992), their impact remained negligible and limited line discounters had to embrace a ‘softer’ discount approach to maintain market share. Hard discounters still only account for 5.1% of the grocery market, with growth having been curbed inter alia by poor consumer perception (IGD 2005c). Although the major multiples may have incorporated ‘no frills’ lines into their offering, price did not dominate the UK retail market until the Competition Commission enquiry and the advent of Wal-Mart. Thus the question of whether Wal-Mart was able to influence store patronage behaviour in the UK and invoke the ‘market spoiler’ effect observed in North America (ARNOLD et al. 1998) was a leading question for the current research.



## 5 Methodology

Like the other series of linked projects on Wal-Mart's entry into international markets, primary research concentrated on investigating consumer patronage behaviour via questionnaire surveys. Market data from secondary sources, were then compared to the survey results and used to assess the occurrence of a market spoiler effect. Two urban conurbations were chosen as survey areas, Livingston in Scotland and Manchester in North-West England. Both had seen Asda Wal-Mart supercentres opening in 2002 and are located in the traditional heartlands of Asda where until relatively recently, Tesco and Sainsbury had very low market penetration. Results from such different UK markets could be instructive with regards to the similarities or otherwise of store choice behaviour linked to store attribute saliency.

The supercentre in Livingston is located in the main hub of retail activity in the town's central area adjacent to a sub-regional shopping centre. It was created from an existing Asda store and the first one in Scotland to be re-branded as a supercentre. With 100 000 sq.ft. it is the largest supermarket in Scotland. Shoppers for the centre come mainly from the West Lothian area and car dependency is high. Besides the Asda Wal-Mart supercentre are a Tesco and Somerfield store, several discount outlets (Aldi, Lidl, KwikSave), in addition to Iceland and Safeway<sup>3</sup> (now Morrisons) stores. Sainsbury is located at the edge of the catchment area.).

The flagship store in Manchester (100 500 sq ft. sales area) is a new-build, positioned in an urban regeneration area to the east of the city centre and is devoid of any competitors in the vicinity. However, Manchester itself and the adjoining Metropolitan boroughs comprise another eleven Asda stores together with a dense network of grocery retailers, including Tesco and Sainsbury with several convenience and supermarket outlets, (then) Safeway and Morrisons stores, a high number of discounters, Iceland, Somerfield and last but not least Marks & Spencers (including their Simply Food stand-alone stores). The City itself and its increasing (loft living) population is serviced mainly by Tesco and Sainsbury convenience store formats and Marks & Spencer Simply Food outlets.

## 6 Data Collection and Analysis

Data collection was carried out via questionnaires and targeted the main shopper in the household. The research instrument was derived from Arnold's work on retail food store patronage in the US, Canada and Mexico (ARNOLD 2003). The questionnaire was initially piloted through a survey in

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<sup>3</sup> Safeway was taken over by Morrisons in 2003.

Ashton-under-Lyne, part of Greater Manchester, to aid questionnaire design and attribute development appropriate to the UK market. Survey instruments as well as data collection methods had to be as compatible as possible to the telephone surveys initially conducted in North America (ARNOLD 2003) and those in other survey areas (Germany and China, see GERHARD et al. in this volume). However, further pilot tests in Livingston and Manchester, searching for the most effective approach, lead to the decision to conduct an intercept rather than telephone survey in Livingston to take account of the locational specifics of this market. Livingston, as a typical 'new town' with only a limited number of stores to which shoppers travel from a wide catchment area and a population difficult to reach via telephone, did not lend itself to the approach adopted for other parts of the study. Hence, an intercept survey was conducted at six points near the shopping centre, with survey days and time commensurate with footfall data. 403 questionnaires were completed between October 2002 and March 2003. Following the Scottish work, a telephone survey was conducted in Manchester in June/July 2003. A sample was selected randomly in a cluster sample design through intersection of all private 0161 (regional code) telephone exchanges as listed in telephone books for the four Manchester areas. This generated 2089 qualified calls over a six week period, with calling times defined to potentially include responses from economically active main shoppers. 418 questionnaires were completed (equalling a response rate of 20.1 per cent). This necessarily excluded those households, which have exchanged landlines for mobile phones.

The focus of the questionnaire was on store attribute choice based on ten norms developed in the literature and applied in the surveys of the linked projects (compare Gerhard et al. this volume). Each respondent was asked a series of questions in the form of 'which store is/had'. Each of the norms was measured by an average of two questions. Examples of the norms and their attributes are:

Convenience	– ... is the easiest to get to?
Value prices	– ... has the lowest everyday prices?
Selection	– ... has the biggest selection of products?
Environment	– ... has the best layout for ease of shopping?
Service	– ... has the most friendly, courteous staff?
Quality	– ... has the highest quality products?
Sales/promotions	– ... has the best promotions?
Community	– ... best supports local charities?
Hedonism	– ... has the most enjoyable shopping environment?
Trust	– ... is best at making it easy to return or exchange merchandise?

Different approaches were followed to estimate norm saliency and the degree of adherence to the patronage norms. For attribute saliency, respondents were asked what the single and second most important reasons were for shopping at the retailer they mentioned as their primary destination. The responses to these open ended questions were categorized according to the ten norms. In order to assess the relative strength of each multiple on each of these norms, a Norm Adherence Index was calculated by dividing the proportion of the sample who identified the multiple as best on the norm by the proportion who shopped most often at this multiple (for more detail, see GERHARD et al. this volume).

## 7 Results

Not surprisingly, the stores shopped at most often vary according to market presence in the two sample areas. This reflects the fact that new towns like Livingston, at the edge or further away from large urban conurbations, are dominated by one or two stores, whereas cities like Manchester are serviced by a dense network of stores. Figure 3 shows the percentage share of

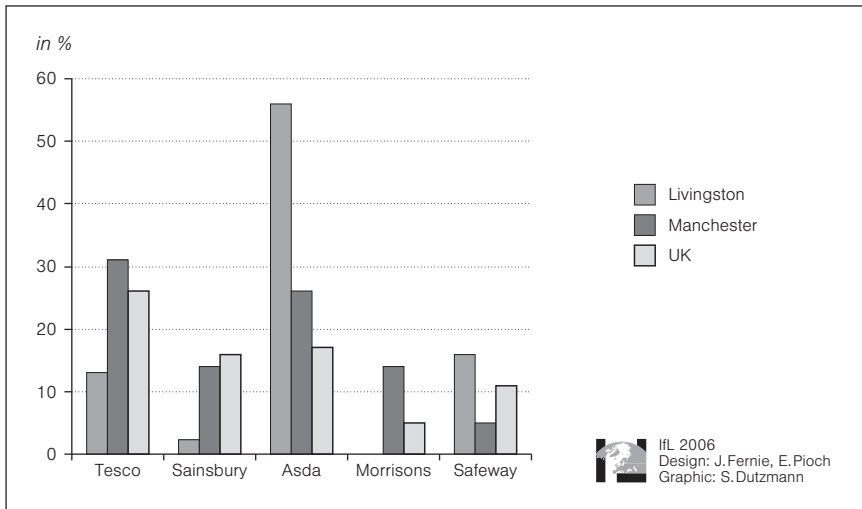


Fig. 3: Share of shopper for major supermarkets in Livingston, Manchester and UK comparison 2003

shoppers for major supermarkets in Livingston and Manchester in comparison to the UK average in 2003. Asda exceeds the national average in both markets. Whereas the 26 per cent figure for Manchester as compared to 17 per cent for the whole of the UK can be linked to the historical roots and store density of the group in the north of the country, the 56 per cent for

Livingston is exceptional. The high percentage of shoppers choosing Asda as the store where they shop most often for their food shopping may be a reflection of the Livingston Asda Wal-Mart as the first supercentre in Scotland.<sup>4</sup>

## 8 Store Patronage Norms

Reported here are only those norms that presented measurements above five per cent. Reliability coefficients for those items that had more than one measurement variable have all acceptable alphas in the 0.6 to 0.8 range (apart from quality in the Manchester data, see Figure 4). In both markets, convenience (i.e. easiest to get to) is the clear leader, followed by value prices, selection and quality. Store environment, service and sales/promotion are clustered well below the other norms.

Norm	Livingston	Manchester	
		NAI Asda Wal-Mart	NAI Asda Wal-Mart
Convenience	50	0.6	66
Value prices	43	1.1	44
Selection	43	1.4	30
Quality	16	0.8	19
Environment	6	1.1	10
Service	10	1.0	5
Sales/promotions	11	0.7	6

Fig. 4: Norms for grocery store patronage (% of mentions) and Norm Adherence Indices for Asda Wal-Mart

The prominence of convenience followed by value prices and selection echoes the norm saliency in North American markets investigated by ARNOLD (2004), but norm differentials exist between markets. For example, between Livingston and Manchester is a 16 per cent gap in the mentions for convenience and 13 per cent for selection (see Figure 4). These variations

<sup>4</sup> Morrisons gets no mention in Livingston due to their absence from this market. In Manchester, Sainsbury perform close to the national average with 14 per cent matched by Morrisons, who had no stores outside the north of the UK before the acquisition of Safeway in 2003. Tesco's low share of shoppers can be partially explained by the choice of survey points, but is also a function of other factors.

across locations are also found in the US, where for 29 per cent of respondents in Victoria, Texas, value prices are the second most important norm, whilst this amounts to 50 per cent in Gainesville, Georgia, (ARNOLD 2004). Further differences between the Scottish and English sample can be largely explained through locational and sample characteristics. However, importantly, the ranking of norms is the same.

Notwithstanding regional differences, the overall shift of store patronage norms in the UK markets towards the North American model is significant. The advance of price to more prominence is also reflected in a number of other studies. In 2000, research by the consultancy group NIELSEN as well as the COMPETITION COMMISSION showed price as a key attribute alongside convenience. Shoppers were asked for the first and second most important attributes when choosing a store. Value for money/low prices accounted for 74 per cent compared to 54 per cent for convenient location/ease of parking.

Various studies by IGD (2004b; 2005d) have confirmed the ascendancy of price on the patronage behaviour norm scale. The request for more special price promotions fell from 21 per cent in 2003 to 16 per cent in 2005. Although this was the second most important factor mentioned for improving food shopping, there is an indication that EDLP has gained in popularity over price promotions (IGD 2005d).

## **9 Retailer performance on store patronage norms**

As part of answering the question whether Wal-Mart was able to invoke a market spoiler effect in the UK as seen in North America, retailer Norm Adherence Indices (NAI) were calculated. Figure 4 shows the NAI for Asda Wal-Mart in Livingston and Manchester. A score above 1 means that shoppers at other stores are identifying this multiple as the best on a given norm, scores below 1 show that Asda customers view another store as best.

In Livingston as well as in Manchester, Asda Wal-Mart outperformed on the price and selection norms, i.e. those consumers who do not shop most often at one of these outlets still perceived Asda Wal-Mart to have the lowest every day prices and biggest selection available on the shelves. In Livingston, Asda also performed well on environment and in Manchester on service and sales/promotions. Striking were the low scores for quality, in which the company clearly lags behind the competition. These results echo the findings of other studies (THE GROCER 2003). Wal-Mart's score on the convenience norm means that consumers are willing to travel further to shop at Asda Wal-Mart.

In comparison, all other multiples in Livingston and Manchester underperform on the price measure, apart from Morrisons, whose share of shoppers mean that they rank second to Asda on value prices (see Fig. 5 and 6).

<b>Norms</b>	<b>Tesco</b>	<b>Safeway (now Morrisons)</b>	<b>Sainsbury</b>
Convenience	0.7	1.0	0.8
Value prices	0.6	0.9	0.5
Selection	0.9	1.1	1.4
Quality	1.1	1.4	4.9
Environment	0.9	1.0	3.8
Service	0.9	1.0	1.5
Sales/promotions	0.6	2.4	0.9

Fig. 5: Norm Adherence Indices for other UK grocery multiples, Livingston

<b>Norms</b>	<b>Tesco</b>	<b>Sainsbury</b>	<b>Morrisons</b>	<b>Safeway (now Morrisons)</b>
Convenience	1.0	1.0	0.6	1.8
Value prices	0.7	0.6	1.0	0.5
Selection	1.1	1.1	0.9	0.8
Quality	0.8	1.6	0.9	0.6
Environment	0.9	1.1	0.9	0.9
Service	0.8	1.0	0.8	0.6
Sales/promotions	1.1	0.8	1.1	1.4

Fig. 6: Norm Adherence Indices for other UK grocery multiples, Manchester

On the third most important norm – selection – the competition is on a par with Asda Wal-Mart, apart from Tesco slightly under performing in Livingston and Morrisons and Safeway in Manchester. The scores for quality are mixed, with Sainsbury being clearly perceived as the leader scoring 1.6 in Manchester and 4.9 in Livingston. On the most important norm – convenience – shoppers at Safeway in Livingston as well as Tesco and Sainsbury in Manchester view the store they most often frequent also as the most convenient, i.e. they are not making a special effort to get there.

Overall the market leader Tesco was under performing on the majority of norms, especially in Livingston, whereas Sainsbury was outperforming on most norms, significantly, however, not on price. Although these results do not reflect market position at the survey time, they echo other studies on multiples' performance on important patronage norms as discussed above.

Interestingly, although in 2003 Tesco is not meeting the price norm and is under performing on most other indices as well, they were the undisputed market leader and have further consolidated their position in 2005. A number of reasons may account for this: in the intervening two years, the NAIs for the multiples may have changed; their performance on the key patronage norms is different in other parts of the country; Tesco's price proposition has become stronger; their higher store density keeps them abreast of Asda, which has lost market share in 2004/05; or finally the adherence to store patronage norms are not a key indicator for market success.

## **10 Conclusion: The market spoiler effect and international retailer strategy**

The purpose of this paper was to address the gap in the retail internationalisation literature with regards to the impact of consumer preferences on new market entrants' success. This was linked to the potential for such a new entrant to invoke a 'market spoiler' effect through achieving changes in patronage norm saliency. Linked consumer research projects on Wal-Mart's entry into various markets served as a vehicle to fill this gap and reported here are the results from the UK study.

With regard to Wal-Mart as a case company to explore the potential for a new entrant to influence key patronage norms, data for markets in Scotland and England suggest that the key norms of convenience, value prices and selection have shifted to echo the norm saliency of North American markets as reported by ARNOLD (2004) and Germany (see GERHARD et al. this volume). Whilst the overall ranking of the leading norms was the same in each market, variations in the relative importance of norms occurred, most likely due to locational specific issues.

Wal-Mart was seen to attract customers who do not view their stores as the most convenient to get to, to overperform on most patronage norms and outperform the competition on value prices and to lag behind, however, on quality measures. These results are consistent with other surveys. Particularly significant is Asda Wal-Mart's high performance on value prices, which suggest that their EDLP strategy and constant downward pressure on prices through their high profile price campaigns is making an impact on store patronage norms. As BURT and SPARKS (2001) suggested the corporation was exploiting the scope for further reductions and their unique EDLP proposition (ARNOLD and FERNIE 2000) seems to have influenced price perceptions amongst shoppers. Together with other market research information, it can be suggested that the EDLP policy started to create a larger price spread among competitors, which points to Asda Wal-

Mart functioning as a market spoiler as observed in other markets by ARNOLD et al. (1983) and ARNOLD et al. (1998), something which had not been achieved by the hard discounter entries in the early 1990s.

However, whilst in NAFTA (US, Canada and Mexico), Wal-Mart managed to achieve market leadership, this is not the case in other international markets, including the UK. The ascend to second position at national level by overtaking Sainsbury in 2003 cannot be solely explained by the market spoiler effect, adherence to patronage norms and outperforming the competition on price, but is at least partly a result of Sainsbury's growing weaknesses over a number of years. Furthermore, during 2004/05 Sainsbury has been reversing fortunes despite consistently higher prices than Asda Wal-Mart, with the latter losing market share and introducing price promotions, anathema to their EDLP strategy.

Leadership in particular markets, like Livingston, must be seen against the background of the locational specifics rather than an indication of a potential trend. In a market with the full range of competitors like Manchester, Asda Wal-Mart is firmly in second place. However, to fully assess the effects of Wal-Mart and their sustainability on the grocery market in the UK, longitudinal studies need to be carried out, as for example done in Canada (ARNOLD et al. 1998), which extend to other market segments such as clothing, electrical goods, jewellery as well as health and beauty. This would facilitate a more comprehensive answer to the question whether Wal-Mart's industrial expansionist model (WRIGLEY 2002) will lead to dominance in any market entered as the corporation has set out for their international strategy.

Whilst the aggressively industrial approach of low format adaptation, focus on economies of scale in purchasing, marketing and logistics together with a centralized bureaucracy (WRIGLEY 2002) worked well initially in the UK, the same does not hold true for each of the other markets as the German example demonstrates. The UK success may well be rooted in the ability to change retail store patronage norms and Asda Wal-Mart's concomitant adherence to them. However, it is possibly to argue that this strategy worked largely because Asda, before its acquisition, was already following in Wal-Mart's footsteps in several aspects (ARNOLD and FERNIE 2000; BURT and SPARKS 2001) and that the market conditions favoured the entry of a corporation pressing the price issue (COMPETITION COMMISSION 2000; ARNOLD and FERNIE 2000). Over the last two years, Tesco increased its market leadership and Asda Wal-Mart had to struggle to keep second position ahead of Sainsbury; the importance of adhering to store attribute saliency and invoking a 'market spoiler' effect may not always work in favour of the new entrant.



By approaching the question of international retailer impact on new markets via consumer research framed in the patronage behaviour literature, the UK study, together with the other linked projects, has started to chart the importance of the consumer (as the neglected stakeholder) in the RI literature. More studies either following a similar approach or utilising concepts from broader consumer behaviour and culture perspectives (e.g. DE MOOIJ and HOFSTEDE 2002) can monitor the influence of domestic consumers upon the success of new foreign market entrants and thereby contribute to this neglected area of RI research.

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