Management of real estate in international retailing.

The cases of Ahold, Maxeda, Inditex-Zara and H&M
“In the last years internationalization has become a central issue of discussion. Companies and countries to an increasing degree are affected by circumstances and behavior outside the local domestic context.”

(Dawson, J and Mukoyama, M (2006), Strategic issues in international retailing)
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Preface

This master’s thesis is about the internationalization process of retail firms. It will be about the management of real estate in international retailing with a focus on the cases of Ahold, Maxeda, Inditex-Zara and H&M in their international context. This master’s thesis forms the final stage of the graduation project at the department Real Estate & Housing at the faculty of Architecture, Technical University of Delft. This research thesis is conducted in the MSc laboratory Leisure and Retail.

Without the help of some people this research project was not possible. I would like to extend a word of gratitude to the people and organizations that have kindly cooperated in the realization of this graduation thesis.

In the first place I want to thank my mentorship team. First dr. ir. D.C. Kooijman my main mentor from the Leisure and Retail graduation laboratory for his professional assistance during this process. He was always there for me during the process prepared to read every single draft, your critical notes were of great value to me and my second mentor dr. Ing. J.P. Soeter from the Building Economics section for giving me advice and assistance during the process. Your knowledge and advice about the building economics has provided me with greater apprehensions and understanding about the subject. Your critical comments from time to time have lead to this end result.

Secondly I want to thank dr. D.J.M. van der Voordt of the department Real Estate Management who was kind enough to read the concept version of the research proposal and to provide me with suggestions and dr. Ir. R.M. Rooij my external commissioner who was kind enough to read all the reports of the various presentations he commissioned during the process and was always ready to give comments.

At last I want to thank all the people who have participated in this research. Especially Mr. van den Boogaard from Maxeda, Mr. Vos and Mr. Boersma from Redevco and representatives of other organizations who were kindly enough to participate in the interviews and providing me with information. At last I also want to thank the research agency Locatus who contributed to useful information for the research project.

Su Jing Chung

Delft, June 2010
Executive summary

INTRODUCTION
In the last years internationalization has become a central issue of discussion. Companies and countries to an increasing degree are affected by circumstances and behavior outside the local domestic context. There has been both an increase in the volume of international activity and a widening of the spatial reach of international activity.¹

This internationalization process has an increasing influence on corporate strategies and has extended its effects on the development of the retail sector. A body of research on internationalization in retailing has grown, yet much of this research has focused on events. There is little research done that considers the processes associated with the sequence of events before placing these processes in a model.² Such a model is essential to a theoretical and conceptual understanding of retail internationalization if it is to be of use to academics concerned with how firms function and to managers who are charged with directing the firm. This research project concentrates on evaluating real estate decisions made during the use-phase of the building life-cycle to give some recommendations in the initiation and design phase of future operations. The product of this research project will be a set of real estate recommendations that can be used during the internationalization process of retail firms. These recommendations will give advice to retail firms on aspects like the location choice of retail outlets, their volume, image etc. but also aspects that can be improvement on in the process management.

PROBLEM STATEMENT & RESEARCH QUESTIONS
The problem statement is that the internationalization process itself is a complex one and not enough insight exists in the internationalization process in the retail firms to generalize a real estate management model.

The main research question for the research project is as follows: How can we with the use of the model of Treatgold increase the insight in the real estate strategy of retail firms and how do they look like?

Some sub research questions that have to be answered during the process are mainly about the differences in real estate strategy between the “Emboldened Internationalists” and the “Aggressive Internationalists”.

MODEL OF TREATGOLD
For this research project the model of Treatgold³ has been used. Treatgold’s (1988) typology of transnational retailing is based on entry and operating strategy and geographical presence of international retailers. In Treatgold’s model there are four clusters mentioned: the “Cautious Internationalists”, the “Emboldened Internationalists”, the “Aggressive Internationalists” and the “World Powers”. For more information about these four clusters you can read chapter 1.2. For this

¹ Dawson, J and Mukoyama, M. (2006), Strategic issues in international retailing, Oxon: Routledge Taylor & Francis Group, pp. 1
research project we have only focused on the real estate strategy of the clusters “Emboldened Internationalists” and the “Aggressive Internationalists”.

DATA COLLECTION & ANALYSIS
The methodology that has been used during the research process is mainly through the use of case studies, literature study and other data collections like interviews and questionnaires.

The criteria for choosing the case studies is based on that the retail firms have gone through an internationalization process itself and they have retail stores situated in the Netherlands. Another criterion is that each case study needs to represent a clustering in the model of Treatgold. The chosen case studies for this research project are Ahold, Maxeda for the cluster “Emboldened Internationalists” and Inditex-Zara and H&M for the cluster “Aggressive Internationalists” in the model of Treatgold. More information from these case studies has been gained with the use of secondary information, interviews and questionnaires.

Besides the case studies a separate literature study has been done at the beginning of the process to gain more insight in the internationalization process. In the first part more information has been gained in the different phases of internationalization, the basis of an internationalization strategy and their success and failure factors. In the second part existing generic internationalization theories in the literature has been explored if they are applicable to the retail firms. This information has been used as secondary information and from this literature study the five research variables has been selected.

MOTIVE INTERNATIONALIZATION CASE STUDIES
If we look at Ahold their motive to internationalize came from their ambition to be the best retailer of the world. In every country they had entered they aimed to be the best food retailer there. They achieved this with their dominant position in the market. In the food retail branch Ahold was once placed in the top three after main chains Wal-mart and Carrefour. Ahold with their ambition wanted to be one of the top food retailers in the world. Because of this great ambition they have they decided to internationalize and achieve this world positions. The quickest way for Ahold to expand was through acquisitions.

Maxeda had another motive to decide to internationalize in comparison with Ahold. For Ahold it was mainly because of their ambition to become a worldwide food retailer and for Maxeda it was mainly because of the financial growing capacities. Main chains of Maxeda like Hunkemöller showed limited growing opportunities in their domestic markets. These chains had more growing opportunities and this formed the main motive for their internationalization process in Belgium, France etc. The main difference between Maxeda and Ahold is that Maxeda just decide to expand if it is financial attractive and for Ahold there was an urge to expand so that they became a step closer in becoming a dominant food retailer and used a more aggressive approach. In recent years Maxeda had made less profit than the other years which is part of the recession. Maxeda stays that it is doing well in a poor tendency of the market. But in recent years we can also see that Maxeda has undertakes less internationalization attempts.

For both Inditex-Zara and H&M they have undertaken their internationalization attempts to increase their brand in other countries. Both Inditex-Zara and H&M had already achieved a dominant brand status in their domestic market. Their next attempt was to introduce their brand in other cities that is the world of fashion, like Paris and London. They wanted to achieve brand awareness also in the foreign countries. To achieve this they have taken this step by step and gradually they became well
known in the countries they have entered and their brand and shop became better known around the world.

RESEARCH VARIABLES
For this research project five research variables have been selected based on the literature study. In this research we want to look at their focus during the internationalization process. These variables are innovation, brand control, adaptation, scale and scope and faster operation.

Innovation: Innovation can be applied on three levels, to format and formula development, to the processes that operate within the retail firm and to the items (goods and services).

Control of the brand: The brand operates in three levels: that of the company, the store and the item for sale. For the recommended strategy it is important to look which aspects can improve the brand on these three levels. These can be the size, image, location etc.

Adaptation to the market: The degree of the formula that has adapted to the market has a great influence on the success of the internationalization process. Therefore some recommendation shall be given on the aspects of the adaptation of the formulas and process management in general. With this we can take into mind the entry strategy used, the distribution channel etc.

Scale and scope: For the recommended real estate strategy the aspect scale and scope cannot be left out. Some recommendations shall be given on the volume and size of the retail stores, but also their location is of great importance to the scope of the stores.

Faster operation: For this aspect recommendations will mainly be given for the process management of the retail firms. What can be done to improve on the business process in the several case studies and in the internationalization process in general?

EMBOLDENED INTERNATIONALISTS
“Emboldened Internationalists” continue to exercise high control and therefore incur high entry costs but have gone through the longevity of their international expansion and begun to move into markets which are remote both culturally and geographically. For this cluster two case studies have been researched. These are Ahold and Maxeda. From the research results some similarities can be found between the two case studies Ahold and Maxeda. For the research variable innovation both case studies have a focus on innovation in the store concepts. Be it the distribution concepts (online stores), marketing concept (publishing new magazines) or the store concepts self. Both Ahold and Maxeda also have a central shop design. If we look at the research variable adaptation they both have a focus in adaptation be it in the formats they use or in their collection. The slight difference between the case studies is that Maxeda slightly changes its collection more in comparison with Ahold. For the entry strategy in both cases the main entry mode are mainly through acquisitions. Franchising or joint-venture will be used in the countries were the retailers are less familiar with.

Difference can be found in the variable brand control. Ahold has a far better known brand in comparison than Maxeda. Ahold has a dominant position in the supermarket branch and the fashion formulas Hunkemöller and M&S of Maxeda has yet to take the dominant position in the fashion branch in the Netherlands. If we compare the variable scale and scope Ahold has also a stronger focus on scale and scope in comparison with Maxeda. The number of Ahold stores in total in the Netherlands is far more than that of the stores of Maxeda. At last if we look at the business process there is a difference in the speed of changing the product collection. For Ahold it is once a week and for Maxeda it is between the 2-4 weeks. This can mainly be explained by the difference in retail sectors.
AGGRESSIVE INTERNATIONALISTS
“Aggressive Internationalists” has retained high levels of control over its operations but has expanded into a wider variety of markets. This cluster is populated by retailers whose corporate ambition of achieving a prominent international presence has been realized. As such, these are often experienced internationalists. For the cluster “Aggressive Internationalists” two separate case studies have been researched. These are Inditex-Zara and H&M, both strong international players in the fashion branch.

If we look at the variable innovation we can see that both cases have a strong focus on innovation, but both in their own ways. Be it in their own shop formulas, collection design, distribution channels etc. Both case studies also have a strong focus on brand control, but in the Netherlands Inditex-Zara is less known than H&M. Reasons for this are that Inditex-Zara has less stores in the Netherlands in comparison with H&M. Now is we go to the aspect scale and scope we can see that H&M has a better presence in the Netherlands and is better known in comparison with Inditex-Zara. However Inditex-Zara has a far better international presence around the world than H&M. They have a far bigger portfolio around the world and have entered more countries than H&M. Both case studies have a strong focus on their shop design.

Now if we look at the aspect adaptation we will see that there are some differences in the way the two case studies adapt to the changing market. Inditex-Zara adapt to the markets with its 8 formulas that targets different target groups. H&M on the other hand just have one main formula, but tries to adapt with the use of changing collections and different clothing lines. If we look at the entry strategy both the case studies mainly use acquisition and franchising. If we look at the business process Inditex-Zara has its own business model were the time factor is the most important. Their collection changes faster than H&M, who changes its collection more based on the seasons, whereas Inditex-Zara can change its collection every week if they want. H&M on the other hand has very few middlemen and buys in large volumes at the same time, but the production process of H&M is still longer than that of Inditex-Zara. This is because Inditex-Zara has an in-house production and the manufacture of the products of H&M on the other hand is being outsourced.

CONCLUSION AND RECOMMENDATIONS
We will now answer the main research question on how we, with the use of the model of Treatgold, can increase the insight in the real estate strategy of retail firms. Firstly in this research the model of Treatgold is purely used as a categorization of international retailers. By clustering the retailers it is more structured to categorize the retailers so that separate real estate strategies can be given. In this way more appropriate real estate recommendations are given and it is better to overlook these recommendations in this model. If we use the model of Treatgold in this way we can increase the insight in the real estate strategy of retail firms, because never once in the past has been tried to give recommendations based on this clustering. For this research however we have only looked at case studies from the two clusters “Emboldened Internationalists” and the “Aggressive Internationalists”. That is why for answering this research question I will give only give recommendations on real estate strategy for these two clusters. For the other two clusters “Cautious Internationalists” and “World Powers” recommendations can be given by future research.

Now if we first look at the cluster “Emboldened Internationalists” in general. The two case studies studied in this cluster have a focus on innovative store concepts and marketing concepts. They have a focus on brand control, but are more known in its domestic market. They have a central shop design and their product collection consists mainly of a broad basic collection. This collection is more
or less the same in other markets they have entered with only small adaptations in the collection. They have less focus on adaption than the “Aggressive Internationalists” because they have a less trend sensitive product collection. This is also one of the reasons why they have also less focus on a faster operation. The case studies in the “Emboldened Internationalists” have expanded into one or two continents with its focus on the domestic market.

In the cluster “Aggressive Internationalists”, the two case studies have more focus on the variables adaptation, scale and scope and faster operation than the case studies of the “Emboldened Internationalists”. The “Aggressive Internationalists” also have a focus on innovation and brand control, but their brand is more internationally known than that of the “Emboldened Internationalists”. The “Aggressive Internationalists” also have more focus on individual architecture of the shops than the “Emboldened Internationalists” who has more a central design. If we look at the aspect adaptation the “Aggressive Internationalists” has more focus on it, because they have a more trend sensitive collection than needs to be changed after a regular period of time to adapt to the changing trends. For this reason they also acquire a shorter business process so that they can react quicker to changing needs of the customers and changing trends. This is an important aspect so that they can react quicker than other competitors. As for the aspect scale and scope the “Aggressive Internationalists” has a bigger portfolio than the “Emboldened Internationalists”. They have entered more countries worldwide and are better known. Retailers in this cluster are an important player worldwide who have expanded around the 4 or 5 continents and achieved a worldwide brand.

The conclusions given above mainly concern the studied case studies in this research project. Research results have been tried to generalize, but the research results cannot be stated for sure that it concerns all the retailers in these clusters. For giving general recommendations on these clusters more case studies needs to be researched for more valid conclusions.

Individual recommendations are given separately to the studied case studies. For Ahold is was mainly about gradually adding more stores to the existing markets and at the same time looking for new potential formulas which they can take over. Ahold should also maintain their focus on innovation and brand control. For Maxeda they should concentrate in growing in the existing markets and for Spain and the Baltic States, in which they have less stores opened, it is important that they also increase their brand awareness in these countries first. Maxeda should also adapt their collection more and introduce more fashion collections a year. For Inditex-Zara it is more or less the same. Gradually open more stores in Europe and America and increasing brand awareness in the newer markets in Asia and Africa. Important for Inditex-Zara to take into account are the latest trends. At last for H&M there are enough growing opportunities in Europe and America and for the west coast side of America, Middle East and Asia they can gradually open more stores dependent on the market. But in general the recommendation was about strengthening the position in existing markets by gradually adding more stores and at the same time looking for opportunities in new markets.
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1. Research introduction

1.1 Background

In the last years internationalization has become a central issue of discussion. Companies and countries to an increasing degree are affected by circumstances and behavior outside the local domestic context. There has been both an increase in the volume of international activity and a widening of the spatial reach of international activity. The internationalization of retailing is a process, not a series of events. In the literature in 2006 the following about the international retailing was already said “It is a complex process that had changed in recent years. It has become more widespread.”

“It is a complex process that had changed in recent years. It has become more widespread.”(Dawson, J and Mukoyama, M)

Nowadays in the newspaper we can still read news about the international activity of retail firms that shows the complexity of the process. For example about the retail firms expansion process in already existing markets or new markets, withdrawals, discontinuing in the middle of the process of internationalization etc. Beneath there are some examples of news topics about the internationalization process during the last decade.

'Fast fashion' replaces luxury in Japan
Forever 21 and Hennes & Mauritz, shops that feature inexpensive, trendy clothes, are plotting their expansions in Japan as major luxury brands shrink their expansion plans or withdraw altogether. Japan is known for its brand-obsessed culture, making the success of the "fast fashion" chains another indication of a shift in consumer mentality.
(subscription required) November 9, 2009. (Wall Street Journal)

Ahold close kiosks Starbucks in the US
Wednesday 2 September 2009, 22:53

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4 Dawson, J and Mukoyama, M. (2006), Strategic issues in international retailing, Oxon: Routledge Taylor & Francis Group, pp. 1
As you can see the internationalization process of every retail firm can have different consequences on their portfolio. Some retail firms decide to expand to foreign countries, but also retail firms can decide to withdraw. Retailers also take a different behavior to expansion nowadays, because of the economic crisis. Some retailers decide on a more defensive expansion strategy, like we can read in the article of Hennes & Mauritz. What are the reasons for these decisions and how can we optimize these decisions taken during the process? In this research we will try to get more insight in the internationalization real estate strategies of retail firms and try to see if it is applicable to the retail firms in the Netherlands.

This internationalization process has an increasing influence on corporate strategies and has extended its effects on the development of the retail sector. A body of research on internationalization in retailing has grown, yet much of this research has focused on events. There is little research done that considers the processes associated with the sequence of events before placing these processes in a model. Such a model is essential to a theoretical and conceptual understanding of retail internationalization if it is to be of use to academics concerned with how firms function and to managers who are charged with directing the firm. Therefore I want to look for possibilities to create this model that will focus on the real estate strategy that deals with the whole process of internationalization in the retail firm and deals with the competitor actions and the environment in which the retail firm and its competitors operate. I think this real estate management model will increase the efficiency during the process and reduce the risks taken during the internationalization process. For accomplishing this first more knowledge needs to be gained to get an insight in the internationalization process and aspects in the internationalization process needs to improved on to define this real estate management model.

1.2 Research project

This research project will evaluate real estate decisions made during the use-phase of the building life-cycle to give some recommendations in the initiation and design phase of future operations. The product of this research project will be a real estate strategy model that can be used during the internationalization process of retail firms. This model will give advice to retail firms on aspects like the location choice of retail outlets, their volume, image etc. but also aspects that can be improvement on in the process management.

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For this research proposal in where we want to define a real estate management model for the internationalization process of retail firms we first need to gain more knowledge in the internationalization process with the use of a literature study. During the literature study some generic internationalization theories are found, but these theories are more meant for retail firms in general. There hasn’t been any research done about the application of these generic internationalization theories on real estate aspects. Therefore this research proposal will look at the implementation of these generic theories in some retail firms and see if they are applicable on real estate aspects. Some research methods that will be used are:

- Exploring generic concepts in the internationalization process
- Develop theories that enable an understanding of retailing at an international level
- Evaluate strategies used in the past by international retail organizations with the use of case studies.

For this research the model of Treatgold\(^7\) will be used. The model of Treatgold is one of the existing generic internationalization models. All of these models have made a categorization of the retail firms based on its internationalization strategies. Each categorization needs a different approach in their internationalization process. For this research the model of Treatgold will be used and discussed.

Treatgold’s (1988) typology of transnational retailing is based on entry and operating strategy and geographical presence of international retailers. It is Treatgold’s observation that high cost entry strategies allows retailers to retain high control over their non-domestic operation while low cost entry strategies will demand the loss of some control. In Treatgold’s model there are four clusters mentioned:

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**Cluster One: “The Cautious Internationalists”**

This group was distinguished by their retention of high control in the international market and a limited international market presence. The higher control and thus the higher costs of market entry were self-defining in this respect. The companies in this cluster operate in markets which are either geographically or culturally proximate.

This cluster embraces retailers who have employed a high cost strategy to develop a limited international presence, typically in familiar trading environments. Most of the retailers in this cluster have relatively little experience of operating outside their domestic market place and are demonstrably prepared to pay substantially to take over an existing business and its accumulated expertise and local knowledge.

**Cluster two: “The Emboldened Internationalists”**

In this group retailers continue to exercise high control and therefore incur high entry costs but have gone through the longevity of their international expansion and begun to move into markets which are remote both culturally and geographically.

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\(^7\) Treatgold, A.(1988), “Retailing without frontiers”, Retail & Distribution management, November/December, pp.8-12
Cluster two has perhaps the least stable membership being populated by a number of companies with multinational ambitions. Retailers in this group generally have a longer history of trading internationally than do those in Cluster One. For those companies, establishing a presence in countries with a similar socio-economic and cultural character to the domestic market has ceased to be the overwhelming criteria in determining the orientation of their overseas investment. There remains, however, a marked reluctance on the part of these companies to loosen control over their interests overseas.

*Cluster Three:* “The Aggressive Internationalists”

Again this group has retained high levels of control over its operations but has expanded into a wider variety of markets.

The “Aggressive Internationalists” represents a cluster that an increasing number of retailers aspire towards. This cluster is populated by retailers whose corporate ambition of achieving a prominent international presence has been realized. As such, these are often experienced internationalists. Retailers in this cluster are confident in the universal appeal of their core offer in a wide variety of trading environments. These retailers occupy substantially similar niches in a highly diverse range of trading environments. Her again, however, there is a substantial unwillingness to weaken control over overseas interests.

*Cluster Four:* “The World Powers”

Unlike the other three clusters, retailers in this group have used low control methods of market entry and have therefore established a presence in a very high number of markets around the world.

The World Powers are offering products and/or formats which demonstrably have the capacity to transcend socio-cultural variations and indeed to create markets where previously none existed. Retailers in this cluster have employed a low cost/low control strategy to rapidly establish a truly global presence. World powers are able to exercise a high level of control over their supply chains. Franchising is often used in this cluster as a means of forming a partnership with local traders familiar with the unique operating environments the retailers wished to enter while, as least in principle, allowing the franchisor to exercise a degree of control over the way in which its products and trading formats are presented.

Figure 1.3 Treatgold’s model. Source: Alexander, N. (2002) *International retailing*, pp. 49
In concentrated internationalization more important than absolute geographical proximity to the domestic market is the retailer’s desire to trade in an environment considered to be substantially similar (and therefore familiar) to the conditions prevailing in his domestic market place. In successfully pursuing a strategy of concentrated internationalization, a retailer will achieve a presence in a small number of overseas markets, often in close proximity to his domestic arena and certainly in what is perceived to be familiar trading environment. At a higher level of ambition is what here termed ‘Dispersed Internationalization’. Here retailers have developed a presence in a number of markets geographically remote and culturally diverse from their domestic market place. In some cases these interests have arisen out of historical associations between countries, particularly former colonies. Elsewhere, they have emerged from niche retailers constrained in their home market and identifying similar niche opportunities elsewhere. The next scale of international activity is that of the ‘Multinational’ retailer who has developed a presence in a large number of overseas markets. These markets will necessarily be highly diverse and geographically remote from the domestic arena. Geographically, the most ambitious scale of internationalization is occupied by retailers which have succeeded in developing a truly ‘Global’ presence yet who often have ambitions to trade in still more countries.

Strategically, there are a number of ways to enter and subsequently to operate in an overseas market. The mode of entry and operation is in particular a function of the level of resources the retailer is willing to commit to developing a presence overseas and the degree of control he wishes to retain over the operations of his overseas interests. Typically, a high degree of control implies a high cost entry strategy. Similarly, a low cost entry strategy normally implies sacrificing a considerable degree of control. Three main modes of entry into an overseas market may be distinguished: high cost/high control (particularly outright acquisition or a dominant shareholding), medium cost/medium control (such as a 50:50 joint venture) and low cost/low control (such as a minority equity interest or a franchise arrangement). The main entry modes include creating a subsidiary, joint venture, franchise, corporate buyout or network acquisition. Below you can read some more information about the entry modes:

- **Subsidiary:** this compromises a direct investment with total control on the introduction and development of the retail formula. Choosing to employ a subsidiary as the entry mode is recommended in cases where the retail formula in question is very different from that operating locally and where firms already enjoy a highly developed acquired skill set.
- **Joint-venture:** a joint-venture or joint subsidiary creates a company to manage one or more retail formulae and/or the back office. A majority controlling stake is needed to drive decision making in the initial launch and subsequent network development. The advantage of the joint-venture is to benefit from an initial set-up via a local partner. The problem is finding a sufficiently capable local partner.
- **Franchise:** a contract is established between a franchiser who provides the know-how and brand and de franchisee who invests providing initial capital. The franchise provides excellent leverage for a company to launch into a new market. The franchise requires extreme rigor in terms of determining the transfer and control of deployment.
- **Buyout or acquisition:** a key way to enter a mature market is by buying a chain, if possible a market leader, to reap immediately critical mass. Acquisitions, however, require that the buyer integrate the corporate culture or even different formulae. This may delay network profitability. A buyout also implies massive investment to standardize and update systems and these costs must be integrated in the business plan’s return on investment.
The lowest level of involvement for retailers is through licensing or franchising arrangement. Licensing arrangement allow a foreign company to use the licensing company’s name. Generally, retail companies use franchising. Through the franchise arrangement, the franchiser gives imitators the right to use the retailer’s name. The retailer in turn gives the franchisee the training needed to run the business. If a retailer has a distinctive retail format and it provides this format to franchisees, the retailer is selling its trade secrets. Franchising may thus be good for short-term profitability, but it makes it difficult for the retailer to enter the market later as a wholly owned subsidiary.

The second level of involvement for a retailer is to enter a joint venture with a company in the destination country. Joint ventures exists when two companies join together to form a new business entity. This type of international involvement offers the company knowledge of the new market.

The last level of involvement is to open a wholly owned subsidiary, the retailer’s own company, in the foreign market. This offers the greatest exposure to the foreign market, and it also provides the greatest opportunity to learn about the new market.

In figure 1.3 you can see the matrix that combines the geographic and strategic dimension discussed above for developing a presence in overseas market. Four clusters are identified in the matrix that clusters a number of distinct groupings of retailers defined by combining the geographic scale and orientation of their overseas interests with their mode of entry into these overseas markets.

**REFLECTION ON CURRENT USE OF THE TREATGOLD’S MODEL**

The number of retailers seeking to develop an international presence will continue to grow as pressures inhibiting sustained growth in mature domestic markets become more acute. This being the case, Cluster One will become more populated as the early efforts to internationalize will remain relatively cautious and modest in the scale of their ambition. However, Cluster One will also lose some of its present members to Cluster Two. In turn, Cluster Three will become more populated by ambitious companies currently identified within the highly unstable Cluster Two. Cluster Four will likely retain its uniqueness. The low cost franchising strategy does not preclude the possibility of its gaining further members in the future. However, through its existing players, this cluster will become more tightly concentrated into the bottom right corner of the model of Treatgold as retailers, highly confident in the universal appeal of their offer, continue to expand rapidly throughout the globe.
With this model I need to define an approach to appoint retail firms to a certain categorization. This will be done with the use data-information analysis. Based on these results their categorization will be decided. In this research process I will focus more on the two clusters “Emboldened internationalists” and “Aggressive internationalists”, see figure 1.5. The reason for only looking at these two clusters are to restrict the broad research possibilities it otherwise would have and also there exists a small boundary between these two clusters, wherefore it would be interesting to look at the similarities and differences especially for these two clusters. If we would have to look at all four the clusters and have a decent research to take conclusions I think we would at least have two cases each clusters to compare them and that will be around the eight cases that would be a bit too much. Also if we take a look at the model of Treatgold the two clusters Emboldened and “Aggressive Internationalists” are situated besides each other. This means that these two clusters can be better compared on similarities than in the case for example with the world powers. Another point is that there exists an extra possibility that “Emboldened Internationalists” can become more aggressive during their internationalization process and vice versa. By comparing precisely these two clusters we can take these trends into account. I think for now choosing these two clusters is the most interesting for this research.

![Figure 1.5 Research outline.](image)

1.3 Problem statement

The problem now is that retail organizations differ too much from each other. They differ in their company culture and their plan of approach. Companies decide to internationalize for their own reasons, but are all confronted with problems during the internationalization process. The problem now is to define such a real estate management model that can deal with the whole process of internationalization en generalize the problems confronted with. There exists now not enough insight in the internationalization process in the Dutch retail firms to generalize such a model that can deal with the whole process of internationalization.

The retail internationalization process is also a long, risky, complex, expensive and non-linear one. Failure rates have been high for some of Europe’s major firms. Moreover, and despite the current
trend of standardization towards a single consumer, each country continues to require a specific approach.\(^8\)

“The retail internationalization process is also a long, risky, complex, expensive and non-linear one. Failure rates have been high for some of Europe’s major firms.”(Kostava, S. (2008), The Retail Internationalization)

So the problem now is that the internationalization process itself is a complex one and not enough insight exists in the internationalization process in the retail firms to generalize a real estate management model.

### 1.4 Research question

The main research question for the research proposal is as follows:

**How can we with the use of the model of Treatgold increase the insight in the real estate strategy of retail firms?**

Some sub research questions that have to be answered during the process are:

- **What are the differences in real estate management between the “Emboldened Internationalists” and the “Aggressive Internationalists”?**

  With the use of some case studies from both the emboldened and aggressive internationalist and a comparison made between them an answer can be given on this question.

- **What can be improved on the real estate management in general and in the separate case studies during the internationalization process?**

  This question will be answered at the end of the research project. After doing the literature study and gaining empirical data from the case studies this question can be answered.

- **Do “Emboldened Internationalists” focus more on innovation and adaptation then the “Aggressive Internationalists”?**

  This question will be answered at the end of the empirical research and the literature study. After gaining the needed data a conclusion can be given on this question.

- **Do “Aggressive Internationalists” focus more on brand control, scale and scope and faster operations then the “Emboldened Internationalists”?**

  This question will also be answered at the end of the empirical research and the literature study.

- **What is the impact of location and entry strategies on the success of the internationalization process?**

  For answering this question case studies will be studied. We will study what kind of location and entry strategies they have used and determine their influences on the internationalization strategy.

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• Which future developments are affecting the internationalization process and have consequences on their real estate strategies?

This research question will mainly be answered with the use of literature study and attaining information from newspapers, articles, interviews etc.

<table>
<thead>
<tr>
<th>Research question</th>
<th>Literature</th>
<th>Case study</th>
<th>Interview</th>
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<tbody>
<tr>
<td>• What are the differences in real estate strategy between the emboldened internationalists and the aggressive internationalists?</td>
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<td>• Which future developments are affecting the internationalization process and have consequences on their real estate strategies?</td>
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</table>

Figure 1.6 Research questions, research methods.

1.5 Research results

The objective of this research is to understand the dynamics involved in the management of real estate during the international activities of retail firms at portfolio level by taking into account the socio, cultural and economic changes in different contexts, in order to provide advice for decision making for retail firms.

The aimed result for this research proposal is to increase the insight in the internationalization process in the retail firms to generalize a real estate management concept model that can deal with the whole process of internationalization.

This research strives to make recommendations at two levels.

• First, to give specific advice on real estate accommodation strategy for the selected case studies (Ahold, Maxeda, Inditex-Zara and H&M);

• And second, to give general recommendations for the application of real estate management theories in different contexts of the retail firms.

Fig. 1.7 Desired research results.
1.6 Research methodology

The methodology that is going to be used during the research process is the following research methods:

CASE STUDIES
A comparison of different retail firms who have dealt with the internationalization process will be conducted. The criteria for choosing the case studies is based on that the retail firms have gone through an internationalization process itself and they have retail stores situated in the Netherlands. Another criterion is that each case study needs to represent a clustering in the model of Treatgold for a more elaborate range of the research. These clusters that we will elaborate more on are “The Emboldened internationalists” and “The Aggressive internationalists”. The chosen case studies for this research are Ahold, Maxeda, Inditex-Zara and H&M. In figure 1.8 you can see which case study represents which clustering in the model of Treatgold.

Tactics and techniques
Information needs to be gathered on the case studies using the following tactics and techniques. First historical-descriptive data needs to be gathered. Data needs to be gathered on what kind of real estate strategy they have used in the past, was it a success or failure and what are the reasons behind it. Much can already be learnt from the past. The second tactic is to look at the current and future plans. Reviews needs to be made on the current proposals, plans and real estate strategy and the main future developments. To attain these data several interviews with managers or experts need to be conducted during the research.

LITERATURE STUDY (CAPITA SELECTA)
The literature study will be done in the beginning of the process to gain more insight in the internationalization process. In the first part more information will be gained in the different phases of internationalization, the basis of an internationalization strategy and their success and failure factors. So the basis of the real estate strategy theory in the internationalization process will be
explored. In the second part existing generic internationalization theories in the literature will be explored if they are applicable to the retail firms. Some internationalization models will be explored if they are usable for the research project, with the focus on the model of Treatgold.

**Tactics and techniques**

For the literature study information will be gathered externally. The subject of the literature study will be about the international real estate theory. What is already known about the internationalization process of retail firms and existing international real estate strategies. Information will be gathered with the use of books on the subject, articles from newspaper, journals etc. In figure 1.9 you can see the research method and tactics that will be used.

![Research Methods and Tactics/Techniques Diagram](image)

**1.7 Conceptual model**

For designing a real estate management model for the internationalization process I want to take into account the five success factors mentioned in chapter 2.2. In this research I want to measure the influences of these five factors on the internationalization process of retail firms. The case studies chosen represent each a cluster of Treatgold’s model. In each case study the influence of the five success factors will be measured in what their influence were during the internationalization process. In the end recommendations can be given on portfolio level on aspects like location, number of stores, size of the outlets, appearances and the business process itself. In the following figures you can see the conceptual models for the two clusters of Treatgold. In this model you can see the
research elements, what their influences are and what kind of factors are important to look at during the process.

For the conceptual model two hypotheses are made that needs to be researched in the project. These hypotheses are:

- The “Emboldened Internationalists” have more focus on the aspects innovation and adaptation than the “Aggressive Internationalists”.
- The “Aggressive Internationalists” in their turn have more focus on the aspects brand control, scale and scope and faster operation process than the “Emboldened Internationalists”.

![Conceptual Model](image-url)

**Figure 1.10 Conceptual model, Emboldened Internationalist.**

**Figure 1.11 Conceptual model, Aggressive Internationalist.**
1.8 Research variables

In considering the reasons behind the successes of domestic internationalization processes five success factors can be named. These are the five factors mentioned in the conceptual model above. These five factors will be used as variables to indicate the successes of internationalization process of retail firms. The problem now is how to measure it. In this paragraph we will explain how these variables can be measured.

The variables can be measured by giving points to certain measures being used during the internationalization process. For example we can give points to the variable innovation if we look at the retail firms and determine if the aspect innovation has been used during the process. This information can be conducted through the use of case studies and interviews as mentioned before.

Innovation

Innovation in a retailing context is apparent in three important areas. Innovation can be applied to format and formula development, innovation can be applied to the processes that operate within the retail firm and innovation can be applied to the items (goods and services) that are sold by the retailer.

To measure these aspects we will need to look at the management process of the firm and the product. What has the company done to innovate and adapt to the changing market. Has the company changed in its concept, formula to adapt to the changing needs of the customers.

- **Innovation in the format and formula development**
  Examples of innovation applied to for formats are changes that provide faster, easier and better customer services. This can be measured through data collection from case studies and interviews. The data collection and interviews will find place in the next phase of the research. For more information on the interview topics and draft interview questions, see appendix I and II.

- **Innovation within the retail firms**
  Examples can be innovations to remove costs from the supply chain with retailers taking control of logistics and operating through central distribution depots. This can be measured through interviews.

- **Innovation in products**
  Ready-to-eat meals, or meal solutions, are good example of innovation at the item level. The data collection can be provided using observation.

*Control of the brand*

The brand operates in three levels: that of the company, the store and the item for sale.

- **Brand of the company**
  The question here is how well known the brand of the company is. Has the company itself become the brand. We can measure it through observation and a survey. The questions for the survey that will be distributed in the following phase of the research to customers can be seen in appendix V.
Brand of the store
Retail firms can decide to promote their stores, so their stores become the brand of their company. This can be done with the use of advertisements, sales promotion etc. This aspect can also be measured through the use of observation and survey.

Brand of the item
An individual item can become the brand of the company. An item can become so well-known that it functions as the image of the brand. This variable can be measured through measuring if there exists a certain item that functions as the brand and if it is the case how big the influence is. This can be measured through observations and survey.

The process of branding originated as a means for firms to differentiate their goods or services from those of competitors. Brands are a key resource that firms can use to create sustained competitive advantage over its rivals. This advantage comes in the form of brand equity. To harvest this brand equity, however, requires careful and strategic brand management. Brand equity is dependent on four brand assets: product attributes, brand awareness, brand associations and brand loyalty. For this research we will look more into depth at the brand awareness. Brand name plays an important role in creating brand awareness. Armed with a brand name, a firm is ready to build brand awareness through its marketing communications activities. These activity typically include advertising, sales promotion, personal selling and public relations. In this research we will investigate these items with the use of data collection, observations, survey and interviews etc.

Adaptation to the market
Adaptation to new markets has occurred in several ways. Existing formulae in home markets have been adapted to the changes in the customer base. New formats have been developed in existing markets, for example, supermarket retailers launching hypermarkets, and retailers launching Internet formats. Retailers have also entered new sectors in their domestic market.

• Adapting existing formulae
To measure this aspect we need to determine the extent to how the existing formulae have been adapted. This information can be obtained from data collection and interviews.

• Developing new formats in existing markets
We need to determine how much the new format difference from the old format. What changes have it gone through. This can be measured through the use of data collection of case studies in the past and current.

• Entering new sectors in their domestic market
In this aspect it is important to know what kind of strategy they have used to adapt to the new sector. So what kind of entry strategies etc. This can be done with the use data collection.

Scale and scope
Scale and scope is an important factor of competitive advantage.

• The scale and scope of the retail stores
The scale and scope that we will measure in this research project will be mainly be translated in the number and volume of the retail stores. The scale and scope of the retail stores however

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isn’t necessary only the number of stores, but it can also be the 24-7 concept. So it is also the scope of availability of the product and stores, so their opening hours can also be an aspect. This variable can be measured through data-collection of the case studies. For measuring this aspect we will also use the source provided from Locatus, an independent source leader on the area of retail information in Benelux. With cooperation of “de vastgoedmarkt” they develop twice a year a top 100 retail formulas in the Benelux based on the number of outlets and the number of stores. In appendix VI you can see the top 100 formulas based on the number of stores and floor space. Based on its position in this list we can already make some assumptions about the scale and scope of the retail firms. How higher the retail firms are placed how more focus they have on this aspect.

- The scope of the product
  With this I mean the scope of the target group of the product. Is the product meant for an exclusive group only or for a broader population. This aspect can be measured through evaluation and observation.

**Faster operation**

Faster operation is the ability of the firms to have faster response throughout all business processes.

- Response throughout all business processes
  The faster competitive responsiveness is seen in many ways, for example, in responding to price reductions or promotions in other firms, in taking time out of the supply chain and in the speed at which stores are developed. This aspect needs to be answered with the use of interviews. For this aspect more information needs to be gathered in the process. This can be done with information gathered in the annual reports and with the use of interviews etc.

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<thead>
<tr>
<th>RESEARCH VARIABLE</th>
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<td>Innovation</td>
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<td>Interview</td>
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<td>Brand</td>
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<td>Adaptation</td>
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<td>Interview</td>
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<td>Scale and scope</td>
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<td>Observation</td>
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<td>Faster operation</td>
<td>Interview</td>
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<td></td>
<td>Data collection</td>
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Figure 1.12 Research methods, variables.

**REAL ESTATE MANAGEMENT**

After attaining all the required data the next step is to reflect on the real estate strategies of the studied case studies. The goal is to give recommendations to improve the real estate strategies of the case studies, but it is also to give recommendations in general to improve the real estate strategy during the internationalization process. To do this first the data needs to be optimalized to give the
recommended advice. In this chapter we will discuss how to optimize the variables mentioned above in real estate aspects in the management process.

**Innovation**
Innovation can be applied on three levels, to format and formula development, to the processes that operate within the retail firm and to the items (goods and services). After doing the case studies and literature study some advice can be given on what kind of format can be best used in the discussed case studies, what improvements can be given to the process in the retail firms and what kind of product type works best in the market for the discussed case studies. Afterwards we will compare the case studies on these aspects and try to give some general recommendations.

**Control of the brand**
The brand operates in three levels: that of the company, the store and the item for sale. For the recommended strategy it is important to look which aspects can improve the brand on these three levels. These can be the size, image, location etc. So the recommended strategy can include recommendation on the real estate strategy at the portfolio level. On this level we are focusing on the outlet stores. So many distribution stores do we need, how much floor space, the façade of the outlet stores and their location.

**Adaptation to the market**
The degree of the formula that has adapted to the market has a great influence on the success of the internationalization process. Therefore some recommendation shall be given on the aspects of the adaptation of the formulas and process management in general. With this we can take into mind the entry strategy used, the distribution channel etc.

**Scale and scope**
For the recommended real estate strategy the aspect scale and scope cannot be left out. Some recommendations shall be given on the volume and size of the retail stores, but also their location is of great importance to the scope of the stores. Some recommendation shall also be given on how to improve the scope of the product in the discussed case studies. Afterwards we will try to optimize the results and give some general recommendations on these aspects.

**Faster operation**
For this aspect recommendations will mainly be given for the process management of the retail firms. What can be done to improve on the business process in the several case studies and in the internationalization process in general. We will focus on the number of middlemen during the process and their time response to the market.

In figure 1.13 you can see on which aspects in real estate management we will give the recommendations. In figure 1.14 you can also see on which levels these variables can have its influence on. The three given levels are the retail firm, format and product. You can see in this figure were we will focus on in the coming process. During the empirical research we will focus on the aspects mission statement, adaptation over the years and their product range. So we will focus on if their mission statement has changed over the last years to adapt to the changing market, their measures they have taken to change their format and if their product range has changed over the years to adapt to changing consumers preferences. For the research variable brand control we will focus on their ranking between the retail firms, with data provided from Locatus, the image of the store and the product loyalty. The last two aspects will be conducted with a questionnaire. For the research on the variable adaptation we will do a historical data-analysis. We will see what has been done in the past to adapt to the changing market and to their formats. For the variable scale and scope we will focus on their number of stores and floor space in the Netherlands, their opening hours and on their range in target group. All these aspects can provide some answers.
of the importance of scale and scope in the process. At last we will focus on the number of middlemen in the process between design and the distribution and their time response to the market. This information can be gathered with the use of research and interviews.

Figure 1.13 Real estate aspects.

RECOMMENDED REAL ESTATE STRATEGY

Figure 1.14 Research level.
1.9 Research organization

SCIENTIFIC DOMAIN
There is almost no literature about the failure of internationalization of retail companies. Some reasons for this are: first, what is seen ‘on the ground’ today is the positive outcome of the international activity and second, retailers themselves wipe failed activities from their record books or public memory. For understanding the internationalization process and define a real estate management model for retail firms, however it is also necessary to know and learn about the failures. By implementing these factors that caused the failures also in this concept management model I hope to add more knowledge in the steering of the internationalizations process. Therefore more insight and knowledge can be gained and added to the scientific body of knowledge.

SCHEDULE
A research model is made for the coming process during the research, see figure 1.15. The first phase is the problem definition and problem analysis. In the second phase we will focus on the theory and empirical input. This will be done with a literature study and case studies. Generic internationalization strategies and real estate strategies will be looked into in the literature study and main future trends and a historical-descriptive data analysis will be done on the case studies. In the third phase the actual practical research will be one. You can think of the interviews mentioned before at corporate retail firms that have internationalized and maybe a survey spread to these firms, but also a review will be done on their current management plans. In the fourth phase the findings of the practical research will be analyzed and discussed and with these results we will enter the last phases were the conclusion and recommendations will be given.

GRADUATION COMPANY
For this research project it was difficult to find a graduation company, because it is a more independent research, in which companies cannot find direct interests. This investigation will be conducted independently and give advice on scientific basis by researching retail firms in their international context.
PROBLEM ANALYSIS

INTERNAL COMPONENT (CASE STUDIES)
Complex internationalization process Failure rates high

EXTERNAL COMPONENT (PROCESS MANAGEMENT)
Not enough insight in the internationalization process to generalize a real estate management model

PROBLEM ANALYSIS

P1
October 2009

Insight in international real estate strategies

Generic international real estate strategies
(Treatgold, 1988)

Organization strategies

Real estate strategy design models-strategy theory

P2
January 2010

Review on main future trends

Review on current management plan

Historical-descriptive data-analysis

Analysis of current portfolio

P3
March 2010

Review on main future trends

Interviews with managers and experts

Review on current proposals and plans

P4
May 2010

Recommendation international real estate strategy

Reflection real estate strategy case studies

Recommendation to improve international real estate management

P5
June 2010

CONCLUSIONS AND RECOMMENDATIONS

Figure 1.15 Schedule.


1.10 Reading guide

This report is divided into six sections. The structure is based on the (chronological) subsequent stages in the research process, see figure 1.16. The first section, chapter one, addresses the background of the research, the (main) research question(s) and the research methodology. The second section, covering chapter two, focuses on the theoretical framework. Chapter three, four, five and six will cover the third section and focuses on the case studies. In the last sections, covering the chapters seven, eight, a comparison of the final results will be made and final conclusions and recommendations will be given.

![Fig. 1.16 Indicated sections in this research proposal.](image)
2. Retail internationalization

2.1 Retail internationalization process

The retail internationalization process is a long, risky, complex, expensive and non-linear one. Failure rates have been high for some of Europe’s major firms. Moreover, and despite the current trend of standardization towards a single consumer, each country continues to require a specific approach.10 This has led to complex and risky strategies taken in international retail firms, which has led to successes and failures. These failures can lead beside from investment losses also to job losses. To avoid this analysis of the internationalization process needs to be done to gain more insight in the possibilities to reduce the risks taken during the process. In gaining more insight in the internationalization process, six basic questions needs to be answered first. These are: What is the internationalization of retailing? Who are internationalizing? Why are retailers internationalizing? Where are retailers developing operations? How do international retailers operate and when does internationalization occur?

1) WHAT IS THE INTERNATIONALIZATION OF RETAILING?

The term internationalization is used freely and loosely in the literature. The word ‘internationalization’ is as poorly defined and as it is understood. Pelligrini said the following of international retailing:

“as soon as one starts thinking about it, it becomes elusive. Does the word identify a clear area of firms’ strategies, does it draw a clear border between a given set of actions and the remaining alternatives open to the firm? The answer is probably no.”11

This is not satisfactory. Any subject area must have a clearly defined vocabulary on which to draw. International retailing is commonly assumed to concern retail operations, owned by a single company, in more than one country. For example, Dawson (1993, p. 11) has commented:

“International retail operations may be defined as the operation, by a single firm, of shops, or other forms of retail distribution, in more than one country.”12

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Therefore, international retailing is not the transfer of concepts to new environments but it is the establishments of operations in new markets. Internationalization of a concept may occur without an international transferring organization but international retailing suggests physical presence. But for the definition of international retailing we also need to include different boundaries which they propose crossing and the degree of unfamiliarity they will encounter. Therefore international retailing can be defined as:

The transfer of retail management technology or the establishment of international trading relationships which bring to a retail organization a level of international integrations which establishes the retailer within the international environment in such a way as to transcend regulatory, economic, social, cultural, and retail structural boundaries.\(^\text{13}\)

2) WHO ARE INTERNATIONALIZING?
Retailers decide to internationalize when they have the ambition, capital, brand awareness etc. and when there are limited growing opportunities for sustained domestic growth. Not all retailers decide to undertake these steps. But when discussing international retailers, Hollander suggested the categories and subcategories given in figure 2.2 His categorization system provides and insight into the fundamentals of internationalization.\(^\text{14}\) The following categorizations are made.

Dealers in luxury goods. The cultural origins of such retailers are often important in conveying the elite luxurious qualities of such retailers. They are to be found in the cosmopolitan centers of retail activity typified by such cities as London, Paris and New York.

General merchandise dealers. They have frequently offered non-domestic environments an innovative format.
- Department stores
- Variety and discount stores
- Mail order
- Supermarkets

Trading companies. These operations are associated with developing markets. They have other main business activities from which retailing developed.

Specialized chains. These operations have relatively narrow product ranges. Their development in the international environment has varied between product groups.
- Food and supermarkets
- Clothing and related items
- Shoes
- Other specialist
- Service trades

Direct selling and automatic vending. Direct selling operations have been used to distribute products in global markets for many years. The products of the Singer organization are a well known example. Automatic vending while widely used has not seen large scale internationalization by operators.

The chosen case studies that represent the “Emboldened internationalists” and the “Aggressive internationalists” in the model of Treatgold will mainly be in the categorization general merchandise dealers, dealers in luxury goods and the specialized retailers. For the integration of both the model of Hollander and Treatgold you can also see figure 2.4. International retailers in the cluster “World powers” and “Aggressive Internationalists” operate in general more in specialized products, which have its own distinguish character. It is especially in these two clusters that they have already achieved a stable and dominant place in the market with their products that have its own market appeal. The cluster “Cautious Internationalists” hasn’t attained that status yet were they can rely on a few products or product collection in operate more in general retailing which has a broader niche in the market. The luxury products you can find more in the cluster “Embolden Internationalists” and “Aggressive Internationalists”.

![Figure 2.3 Treatgold’s model. Source: Alexander, N. (2002) International retailing, pp. 49](image1)

![Figure 2.4 Treatgold’s and Hollander’s model integrated. Source: Alexander, N.(2002) International retailing, pp. 51](image2)

### 3) WHY ARE RETAILERS INTERNATIONALIZING?

While the motivations which lie behind internationalization have received consideration in recent years, much work remains to be done on this issue. Treatgold (1988:8) has stated:

> ‘For many...retailers...the principal motivation for expanding internationally has been the limited opportunities for sustained domestic growth.’

Certainly, many retailers faced with ‘satisfaction’ in the domestic market may seek alternative growth opportunities in non-domestic markets, yet there are dangers in assuming that the primary reasons for internationalization are push rather than pull factors.

In figure 2.5 you can see the driving forces of internationalization. The concept of ‘push and pull’ factors has drawn attention to the fact that retailers’ international moves have often been motivated by difficulties within the home market rather than simply the attractions of the new market.

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Brenda Sternquist has also stated in her book “International Retailing” seven reasons for retailers to expand internationally. These are: (1) the desire to reach beyond a mature home market with low growth potential, (2) a need to diversify their investment, (3) a situation in which expansion at home is blocked by legislation, (4) the possession of a unique market format, (5) intense competition at home, (6) an economic downturn at home, or (7) the desire to secure first-mover advantages.

4) WHERE ARE RETAILERS DEVELOPING OPERATIONS?

Retailers, during the most recent period of international expansion, have concentrated their activities on the markets of North America, Western Europe and the Pacific Rim. This is changing. Drtina’s paper raises the issue of retail development in markets which have operated under a completely different economic system. In the 1990s for example retailers are exploring opportunities in Eastern Europe and China that would have seemed a very distant prospect ten years earlier. While studies of underdeveloped retail markets have appeared considerable works remains to be carried out in this area.

Another categorization of retailers where they develop their operations can be predicted based on its categorization of the model of Brenda Sternquist. Brenda Sternquist categorized four retail companies: the strong, the weak, the unique and the standard. Based on this categorization these retail companies will expand more to the developed countries or the less developed countries, see figure 2.6.

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The Strong.

Strong companies seek international markets when worldwide distribution is their goal. Strong companies have their choice of where to expand. They also have a choice of whether to expand in their initial retail format or in a modification of that format.

If we look at the model of Treatgold we can set the strong companies more in the cluster “World Powers” and “Aggressive Internationalists”. For both clusters they have the ambition of worldwide distribution. That is why they have a choice in looking at where to expand. The difference between the two clusters is their mode of entry strategy. The “Aggressive Internationalists” tend to have a more high entry strategy. They mostly gain real estate assets in the following ways, through constructing new buildings or renovating through the building market, buying assets on the market and at last through the rental market.

The weak.

The weak companies are often forced into international expansion when they cannot maintain a market share in the home market. Their internationalization is an attempt to find a market with less cutthroat competition.

In this group you will say that you can find more some similarities with the clusters “Cautious Internationalists” and the “Emboldened Internationalists”. A contradiction is however that they don’t enter a market because they cannot maintain their market share in the domestic market. They consciously make the decision to enter a market after doing proper research. So if you look at it in this way actually not one of the four clusters mentioned in the model of Treatgold exclusively fits in this group. When entering a new market for the weak companies maybe deciding to begin with the rental market is a more wisely decision, because of the flexibility it offers.

The unique.

Unique companies have a variety of expansion alternatives. Most often, unique companies expand using an exact replication of their standard format. Although they can expand to both less developed and more developed countries, they may choose to focus on more developed countries, in which a distinctive global consumer is found.

The Unique companies do business in more specialized products. In this cluster the “World Powers” and “Aggressive Internationalists” operate more and have more experience with specialized retailing. These two clusters can also be accounted as the strong companies mentioned above. They mostly gain real estate assets in the following ways, through constructing new buildings or renovating through the building market, buying assets on the market and at last through the rental market.

The standard.

Standard companies expand to international markets to capitalize on their large-scale format. These retailers focus on a type of vocational technical training, which trains employees to provide high levels of service. Generally the movement of a standard company is from a more developed country to a less developed country.
For the selected case studies they develop their operation more in developed countries so they belong more to the strong and unique categories, but for a precise analysis more information needs to be gathered about their selection criteria’s for foreign markets.

For the standard companies you can think more of the “Emboldened Internationalists” and the “Cautious Internationalists”. They both cautiously expand after doing proper research etc. They expand step by step to capitalize their large-scale format. For them weighing the advantages and disadvantages led them into making the right decisions on acquiring the assets in the real estate market.

5) HOW DO INTERNATIONAL RETAILERS OPERATE?
There are several facets of retail internationalization. In figure 2.7 you can see the different facets. The flow of know-how ideas that is exchanged between the home market and the other market, the case when retail firms decide the expand to other markets or that foreign firms decide to expand in the home market and the use of international alliances and international sourcing. Besides these there exist different entry strategies and decisions made during the different phases in the process. For this research proposal we will mainly focus on the international expansion of retail firms.

6) WHEN DOES INTERNATIONALIZATION OCCUR?
The retail literature does not dwell specific on this issue of when internationalization occur. The conditions under which internationalization is taking place are generally accepted as the conditions under which internationalization occurs. So this also has a relation with the driving forces of internationalization mentioned in the paragraph why retailers internationalize because when internationalization takes place depends partly when the driving factors occurs on the market.

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2.2 Success and failure factors

In considering the reasons behind the domestic successes of European retail firms, both large and small, it is possible to identify five success factors: innovation, control of branding, adaptation new markets, exploitation of economies of scale and scope and fast operation of all process.\(^{20}\) For defining a concept real estate management model in the later stage of the research it is important to take these factors into account.

**Innovation**

Innovation in a retailing context is apparent in three important areas. Innovation can be applied to format and formula development, innovation can be applied to the processes that operate within the retail firm and innovation can be applied to the items (goods and services) that are sold by the retailer. To some extent there is overlap in the ways that the innovations have effect but it is useful to consider innovation in these ways when viewing the transferability of this key factor. Examples of innovation applied to for formats are changes that provide faster, easier and better customer services. Important in innovation in the processes within the firm are innovations to remove costs from the supply chain with retailers taking control of logistics and operating through central distribution depots. Similarly, innovation can occur in the design and development systems for products and their distribution to stores. The third area of innovation is in the items for sale. Ready-to-eat meals, or meal solutions, are good example of innovation at the item level. Innovation is the essence of being able to compete in a highly competitive market.

**Control of the brand**

The brand concept in retailing is complex. The brand operates in three levels: that of the company, the store and the item for sale. Each is different, but when retailers align their brand activities across all three levels then they become significant brands. Thus, the retail firm becomes a brand. In non-food categories retailing brands have long been a major aspect of competition by retailers. Alongside the branding of the stores there is strong branding of items for sale in the stores. Retail branding of items has been present for considerable time but it has reached new levels of sophistication in recent years.

**Adaptation to the market**

Adaptation to new markets has occurred in several ways. Existing formulae in home markets have been adapted to the changes in the customer base. New formats have been developed in existing markets, for example, supermarket retailers launching hypermarkets, and retailers launching Internet formats. Retailers have also entered new sectors in their domestic market. Adaptation is a fundamental prerequisite for entry by retailers into non-domestic markets. Retailers operate in local markets with local customers and so adaptation to all respects of local economy, society and politics is necessary. This not only involves adaptation for entry, but also continuing adaptation as the market changes.

**Exploitation of economies of scale and scope**

The large retailers have been exploiting economies of scale for a considerable time and this has proved to be an important factor of competitive advantage. Many of these economies of scale and scope are transferable by the large European firms into foreign markets. Scale economies are achievable in the foreign operations, irrespective of the culture realm. Similarly, there do not appear to be reasons why the economies of scope cannot also be obtained in foreign markets.

Faster operations of all process

The last success factor is the ability of the firms to have faster response throughout all business processes. The faster competitive responsiveness is seen in many ways, for example, in responding to price reductions or promotions in other firms, in taking time out of the supply chain and in the speed at which stores are developed. This success factor of the speeding up of activity is transferable internationally, but for many foreign markets it may be of different importance than it is within Europe.

For understanding the internationalization process it is also important to understand the reasons of de-internationalization. Tordjman(1988) described the failures of the French hypermarket concept in the USA, as an outcome of the following aspects:

- A lack of innovation: the basic trading proposition of the hypermarket was not seen as innovative in the American market, as similar mixed merchandise formats already existed.
- Existing competition: intra-type (concept) competition was wrong. There was a range of stores in the American market providing similar options to consumers.
- Lack of power: the method of entry via internal growth did not provide the necessary scale or leverage with suppliers, which was crucial in the grocery market.
- Customer preference: the one-stop-shop” behavior characteristic to Continental Europe in the 1980s was less prevalent in the US. Perceptions of distances and other shopping criteria also varied.
- Management culture: the traditional hypermarket as developed in France was heavily dependent on a decentralized management culture, however this was generally an alien concept in the USA.

Some factors that you can see above show some overlapping with the success factors mentioned before. These are for example the innovation aspect, but also there is an indirect relation with the failure factors existing competition, lack of power and customer preference with the success factor adaptation to the new market. Because if measures have been used to deal with the existing competition, lack of power and increase in customer preference this will indirect lead to a more successful adaptation to a new market. This also implies on the success aspects exploitation of economies of scale and faster operation of all process. This can be improved on if measures are taken in the management culture. The last aspect that is an important one is the control of the branding. Because for all the aspects to successfully work together and be well received in the market a good brand control is necessary. So these five success factors need to be taken into account in the management model that will be developed at the end of this research. Some measures to achieve this can be improvement on the failure reasons stated before. With this in mind a good basis for the management model of the internationalization process is already laid down. These success factors will also function as the research variables. In the following chapters we will look how these variables have its influence in the case studies.

2.3 International expansion

During the internationalization process there are several factors that have influence on the decisions made about real estate. Dunning’s theory is one of the theories that take these factors into account. He believes that the more of these advantages a company has, the more likely it is that the company will internationalize. Dunning’s theory focuses on three components a company must have to spur its international expansion. Dunning’s three components are (1) ownerships advantages, (2) internalization advantages, and (3) location advantages.

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Taylor & Francis Group, pp. 100
• Ownership advantages: Ownership advantages are unique elements that belong to the company. These advantages can be either asset based or transaction based. Asset based ownership advantaged are possessions of the company, such as well known brand name, patents, or copyrights. Transaction-based advantages encompass how a company does things. It could be the knowledge that is part of a sophisticated logistics system, a method for producing private label products, a sophisticated merchandising information system, or a just-in-time inventory system.

• Internalization advantages: Internalization advantages have to do with a company’s ability to keep its own secrets. Internalization means a company’s knowledge base is not shared with others. Entering a franchising arrangement is a way in which many retailers share their secrets. This is dangerous for retailers who have important information that helps them to remain distinctive.

• Locational advantages: Locational advantages relate to how suitable the host country is with respect to the firm’s strategies. Pellegrini identified three issues relevant to international retailing: cultural proximity, market size and competitors’ moves.

Cultural proximity refers to how similar patterns of life are in two countries. The more similar the cultures, the greater the chance that retail expansion will be successful.

Market saturation in the home country is an impetus for foreign direct investment by retailers. Ample space for expansion must be available, particularly if the firms need to reach a certain size to exploit economies of scale.

A first-mover advantage may be lost if competitors enter a foreign market. Competitors may secure prime retail locations and block out other firms. An innovator entering a new market is nearly always more successful than the imitators that follow. Competitors’ moves are more important to retailers than manufacturers because retailers are geographically based business.

In figure 2.8 below you can see a retail internationalization decision scheme. Deciding how to internationalize takes into consideration ownership advantages and the need to internalize company information. Deciding where to go takes into consideration location advantages. How retailers decide to enter a market depends on their format and business process. If we look at the clusters “Emboldened Internationalists” of the model of Treatgold it will correspond with using same formats and for the “Aggressive Internationalists” it can be both using different formats and same formats. But this doesn’t necessary mean that all the retailers in these clusters will correspond this way. There are always some retailers that are an exception in these clusters.

Figure 2.8 Retail international decision scheme. Source: Sternquist, B. (2005) International retailing, pp. 41
2.4 Acquisition of real estate during internationalization

To secure the real estate in potential locations there can be three ways to obtain them. These are:
- Through constructing new buildings which meet to the investors requirements;
- Through purchasing or acquisition of already existing assets in the real estate market;
- Or renting appropriate real estate through the rental market.

The most important factors in choosing between constructing/renovating, purchasing or renting real estate are:
- How much the real estate meets the purpose of the business activities;
- The availability of the real estate;
- Investments opportunities;
- Risks;
- Costs, revenues and return.

In some cases there are specific requirements desired for the real estate and the real estate assets will be especially new constructed for the unique business process. The value of the real estate will be completely connected with the specific business activities. The real estate is in ownership of the companies. In other cases the request of real estate is less specific and properties can be looked at in the existing market.

Real estate has a long construction period, is fixed with its location and difficult to adjust. The availability of specific real estate in a particular location on a specific time period can be a crucial factor during the acquisition. It determines for a great deal the future developments of a company. That is why acquisition of real estate on the right time, right location is a crucial factor for retailers. If the availability of real estate is scarce then making the right decisions is more than ever so important.

Investing in real estate means putting capital in real estate with the aim of financial return. Dependent on future obligations and the desired risks profile capital can be invested in different categories, like shares, real estate and or loans. If we look at the investing category real estate you can think of direct and indirect investing. Direct investments are like purchasing real estate on own account and develop its and then to exploit it. Indirect investment is through purchasing shares of specialized funds that are charged for the acquisition, developments and exploitation of the real estate.

Acquisition of real estate is connected with risks during the process. Secure real estate through the rental market is connected with the least risks. This is because:
- Obligations are with the owner of the building;
- There is security about the price and developments;
- The rent contract can be ended on short terms.

To secure of real estate through ownership consists of more risks. Risk factors are:
- Revenue through rent;
- Revenue through sale;
- Economic life cycle of real estate;
- Technical life cycle of real estate;
- Developments of maintenance costs.
If real estate is acquired through constructing new building there will be other risks involved like coming from the complex development and construction process. These are functional, technical and financial risks.

The costs and revenues are an important factor during the decisions made about the acquisition of real estate. Real estate has a price a value: the construction costs, the purchasing cost or the rent. Included in this price you can find also all the extra costs made during the acquisition. Especially when securing real estate through constructing real estate there exists besides these extra costs and land price and contract price a lot of other components. In the case of renting real estate the costs will be leasing the period costs. In case of purchasing real estate the price will be over several years paid in one time. The price will be paid with own capital or foreign capital.

2.5 Current trends and future developments

To give recommendations to international retail firms on real estate management in the internationalization process it is important to look at the current trends and future developments. To define the current trends and future developments a study has been done with the use of newspapers, articles and internet. The following main trends and future developments can be defined:

• Less branches could be seen in the shopping street
  Branches are disappearing from the Netherlands shopping streets, because of the growing internet-sales. These are one of the conclusions from the “Winkelmarktspecial 2009” from Jones Lang LaSalle. As a consequence the demand to shopping floor spaces will decrease the coming five years with 7 till 9%. Several shopping branches like music, books and travel are disappearing from the A1-shopping areas and the street runs. The A1 shopping areas will be dominated with more fashion stores. 22

• Branding and marketing of the shopping street are essential to respond to the wishes and interests of the changing behavior of the consumers.
  The municipality, the retailers and the investors have to work together to reach the consumers. A focused, selective policy is of great importance. The quality of the public space is of great importance to attract successful retailers and to attract consumers. Also other aspects like the location, routing, accessibility and parking facilities as a basis function for the final location and function mix are important aspects.

• Sustainability is becoming an important aspect for investors and project developers.
  Sustainability is despite the economic situation, an important aspect for investors and project developers, because of the expected positive effects on the values of sustainable shopping units and to obtain developments right of the municipality. Nevertheless, the offer for sustainable shopping real estate will develop tardily.

22 Vastgoedmarkt, “JLL: Minder branches in winkelstraten”, Vastgoedmarkt/Winkels, November 2009, pp. 63
• Smaller shopping types
  Currently, smaller newcomers form the dynamic in the retail sector. These newcomers often offer extra services. They are making buying and experience, they learn from their customers and make friends with them. This is the conclusion from “het Hoofdbedrijfschap Detailhandel (HBD) in their annual trends report.\(^\text{23}\)

• Internet versus physical retailing
  An important trend is the up come of the internet distribution channel. This has spatial consequences for the retail stores. So there exists a struggle between internet and physic real estate. Information about this trend is gained with an explorative interview with Redevco, see also appendix VIII.

\(^{23}\) Vastgoedmarkt, “Kleine winkels zetten trend in retailmarkt”, Vastgoedmarkt/Landelijk, November 2009, pp. 15
3. Ahold

Fig.3.1 Albert Heijn XL. Photo: gmabrandis.com [online] Date: 03-11-2009

Ahold is an international group of mainly quality supermarkets based in the United States and Europe. Besides supermarkets they also operate hypermarkets, discount stores, convenient stores etc. They want to provide an easy, convenient and appealing shopping experience through continuous customer focus. Ahold is a market leader in the Netherlands and consists of shops like Albert Heijn, Etos, Gall&Gall etc. Other brand shops in the United States consist of Stop&Shop, Giant-Landover, Peapod etc. For this research we will look at aspects for all the brands of Ahold, but we will mainly focus on the main formula of Ahold, which is Albert Heijn. Albert Heijn is the main representative formula of Ahold and its domestic market is in the Netherlands.

With more than 30 million customers per week through over 8,000 stores across four continents Royal Ahold was in 2003 one of the world’s leading retailers. Royal Ahold developed as a major international presence relatively recently and relatively quickly since its first international move in 1976.

3.1 Historical Background

Ahold’s origins reside in the mid-nineteenth century in the Netherlands with the Heijn family grocery store at Oostzaan, near Zaandam. In 1887 responsibility for the store passed from father to son when Albert Heijn Snr. Took control. Over the following decade branch stores were opened in surrounding communities and there were ten shops in the emerging firm by 1897. Expansion of the chain continued through the first half of the twentieth century with modest acquisitions of other small family firms. To reflect the broader base to the firm the name was changed from Albert Heijn to Ahold in 1973. By this time the firm was dominant in the food retailing sector in the Netherlands and it was clear that future growth would either be through substantial diversification or entry into foreign markets.

Investigation of internal opportunities in the mid-1970s led Ahold to enter Spain in 1976. While the potential was viewed as positive the actual conditions in the mid-1970s were far from ideal for new entrants. The contrast between the Ahold store systems and the prevailing business conditions, together with the difficulty of responding to Spanish consumer needs, made expansion very difficult and Ahold withdrew from Spain after less than ten years. Alongside the Spanish expansion Ahold purchased BI-LO in the US in 1977. An existing set of systems and management was purchased together with physical assets. A customer base existed and could be retained if the name was not changed.
In common with other major European retailers the events in Central Europe in 1989 opened new strategic opportunities for Ahold. The difficulty for Ahold, however, was that Central Europe offered no acquisition targets in the normal sense. In order to enter Czechoslovakia in 1991 a wholly owned subsidiary, Euroneva, was established, while for Poland in 1996 a joint-venture with Allkauf was used. Euroneva succeeded, although the dynamics of the Czech market has meant major changes to format operations, but the Polish joint-venture failed and Ahold took full ownership of the operation in 1999.

By early 1995 Ahold had a very strong domestic operation, a substantial portfolio of stores chains in the east of the US, and an emerging presence in the Czech Republic. From this base a program of extensive expansion was launched into Asia and South America, a return to Spain and further acquisition in North America.

Ahold also moved into the retail markets of Singapore and Thailand through joint venture arrangements with local partners. Ahold also entered a technical assistance agreement with the PSP Group in Indonesia in July 1997 to develop supermarkets there. In 1998, Ahold subsequently acquired the remaining share held by its joint venture partner, the Central Robinson Group, in Thailand. Further scale was added with the acquisition of 22 Yaohen stores in Shanghai, China. In October 1999, and to the surprise of the financial institutions, Ahold announced that it was divesting its Chinese, Indonesian and Singaporean operations to concentrate on the retail markets of Malaysia and Thailand. This divestment was considered as a fairly straightforward move where existing resources in these “marginal markets” could be more effectively (re)deployed elsewhere within its international retailing portfolio. However, this contention was difficult to reconcile with the relatively small level of capital resources already committed to Asia, which only represents approximately 3 percent of the company’s sales (or €400 million), with operating losses of €18 million in 2001/2002.  

In 2003 however Ahold announced its decision on 3 April 2003 to withdraw from South America. On 24 February 2003 Ahold stunned financial markets by disclosing significant accounting irregularities involving $900 million overstatement of its reported and expected earnings in 2001 and 2002. Although the majority of this overstatement related to its US Foodservice operation, Ahold also announced that it was investigating the legality of certain transactions and their accounting treatment at Disco in Argentina. In addition it reported that, as a result of information not previously available to the company’s auditors, it would be restating its historical financial statements so as to proportionally consolidate under Dutch and US accounting rules DAIH(Disco Ahold International Holdings) and also Bompreço and Paiz-Ahold for the periods during which they were 50% owned by the company. The accounting scandal in 2003 resulted in the immediate resignations of Ahold’s CEO (Cees van der Hoeven) and CFO (Michael Meurs) and a fall of two-thirds in Ahold’s market capitalization to just 10% of the level it had stood a year before. In the USA the Securities and Exchange Commission launched an investigation into the affair and with Ahold teetering on the edge of liquidity problems a rescue loan of €3.1 billion from a group of five banks and financial institutions had rapidly to be put into place to stabilize its financial situation.

3.2 Emboldened Internationalist

Ahold is included in the cluster of Emboldened internationalist according the model of Treatgold. This cluster is populated by a number of companies with multinational ambitions. In this cluster the establishing a presence in countries with a similar socio-economic and cultural character to the domestic market is still an overwhelming criterion in determining the orientation of their overseas investment. Ahold has companies in Europe and the United States. Ahold decided to expand to more or less similar socio-economic cultural character in the countries in Europe and the United States. If we look at their international presence there are some differences before and after the scandal in 2003. Before 2003 they had an international presence in four continents and dominated the east coast side of the United States. Their internationalization strategy was then more aggressive. After 2003 they had withdrew from some markets. Now they are active in two continents and have a more cautious approach. With their international presence now in Europe and the United States and their high investments in entry and operating strategies they belong to the cluster “Emboldened Internationalists”.

![Map showing Ahold stores locations, before the scandal in 2003 and store locations now in 2009.](image)

3.3 Concept

In 1999 a significant shift in strategy was announced and the implementation of this became evident in the early years of the twenty-first century. This was diversification in respect of the channels used the reach the market. These channels are store-based channel, foodservice channel and E-commerce channel. This move is illustrated by the change in the mission statement of Royal Ahold. In 1998 the mission statement was:
‘To become the best and most successful food retailer in the world.’

In 1999 the mission statement had changed to:
‘To become the best and most successful food provider in the world.’

By 2001 the mission statement had become even more explicit as:
‘To become the best and most successful food retailer and foodservice operator in the world.’
3.4 Shop formulas

For this research we will focus on the internationalization strategy of Ahold. We will take a look at the main shop formulas Ahold has, especially Albert Heijn. Besides Albert Heijn Ahold have several other shop formulas. Following next we will give a short description of the stores Ahold has.

- **Albert Heijn**  
  Albert Heijn is one of the leading food retailers in the Netherlands and also one of the country’s most recognizable brands. Founded in 1887, its mission is “to make the ordinary affordable and the extraordinary attainable” for customers. Albert Heijn pioneered the development of the modern supermarket in the Netherlands. Its innovations range from the creation of the country’s first self-service formats and the development of general merchandise as a grocery store category to the introduction of new and exciting products to store shelves that have since become mainstays of Dutch consumers. Albert Heijn has more than 800 stores and employs over 70,000 people, making it one of the largest employers in the Netherlands. The company operates four main formats: the neighborhood grocery store, the larger Albert Heijn XL supermarket, “AH to go” convenience stores, and the AH internet grocer.\(^{26}\)

- **Etos**  
  Acquired by Ahold in 1974, Etos is the leading health and beauty care retailer in The Netherlands. Around 50% of Etos stores are wholly owned, the rest operating as franchises. Etos has a broad beauty, health and body product assortment. Besides low prices quality products Etos offer their customers a pleasant shopping environment with skilled staff. Etos has about 500 shops scattered around whole Netherlands from which the half is owned and the rest operating as franchises.\(^{27}\)

- **Gall&Gall**  
  Gall & Gall is the leading wine and liquor specialist in the Netherlands. The company was founded in 1884 by a widow under the name of her husband – H.J.T. Gall. The Widow Gall proved to be a successful entrepreneur and spent many years successfully building the business with a sharp focus on what her customers wanted. Soon after, it was merged with other liquor store chains acquired by Ahold to become the largest business of its kind in the Netherlands. Today, Gall & Gall consists of more than 530 stores, more that 40% percent of which are franchise operations. The company distinguishes itself with a wide range of quality products, a high quality of service and expert advice.\(^{28}\)

- **Albert/Hypernova**  
  The Albert brand was founded in Central Europe in 1991. Today Ahold operates 280 stores in the Czech Republic and 26 stores in Slovakia, where it is among the best-known brands in food retail. Ahold started its activities in Slovakia in 2001, when it opened its first Hypernova stores. The first Albert supermarket was opened in 2005. The essential elements of the new Albert brand are great choice, a wide assortment of food with focus on the fresh, friendly staff – and always a good price. A key component of strengthening the brand is an increasing emphasis on

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private label products. The company also continues to develop and expand its private label ranges. Stores are also being improved and tailored to meet their different needs.

The company is committed to being a leader in food retail industry in the markets it serves, whether that is by setting the highest standard for product quality and customer service it stores or by pursing programs aimed at improving the health of consumers and well-being of the communities it serves.  

• **ICA group**

The ICA Group is one of the Nordic region’s leading retail companies, with around 2,230 of its own and retailer-owned stores in Sweden, Norway and in the Baltic countries. The company, a joint venture that is 40% owned by Hakon Invest AB and 60% by Royal Ahold, is also one of the most popular retail brands in Sweden.

Through a variety of store formats, ICA retailers in Sweden and ICA franchisees in Norway combine the local village store feeling with the benefits of scale that come from being part of a large multi-national. The store owners are often well-known personalities in their communities. And they, and their teams, are the key to building the trust that has made ICA a leading brand. Their efforts are further supported by a wide range of private label products that meets the needs of various customer groups.

• **Stop&Shop**

Stop & Shop is one of the leading food retailers in the northeast United States and the pioneer of the superstore concept in New England. Today the company operates over 380 stores employing approximately 60,000 employees throughout Massachusetts, Connecticut, Rhode Island, Maine, New Hampshire, New York and New Jersey.

In August 2008, Stop & Shop and its sister company Giant-Landover introduced a reinvigorated brand identity aimed at engaging their customers even more with a continued focus on quality, price, service and reliability. The company is achieving its objectives with the help of its Value Improvement Program, making improvements to its supply chain and refocusing its product assortment, allowing it to lower prices.

Today, Stop & Shop is a multibillion-dollar corporation and the largest food retailer in New England. Stop & Shop employs approximately 60,000 associates in its network of stores, distribution centers, manufacturing plants and offices in Connecticut, Maine, Massachusetts, New Hampshire, New York, New Jersey and Rhode Island.

• **Giant-Landover**

Giant-Landover is one of the leading supermarket brands in the Washington D.C. area and a committed partner to the communities it serves. The company operates more than 180 supermarkets in Virginia, Maryland, Delaware, and the District of Columbia, and employs over 22,000 people.

From its inception, Giant-Landover has been an innovator in the retail food industry. The company’s first stores played a significant role in bringing food prices down in the area and

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helped lead many developments in the supermarket industry. Among other milestones, in 1958 the company opened the first of its Super Giant stores, featuring 35 different departments including clothing, jewelry, hardware and appliances.  

- **Peapod**
  Founded in 1989 by brothers Andrew and Thomas Parkinson, Peapod has grown to be one of America's leading Internet grocers. Peapod is a wholly owned subsidiary of international food provider Royal Ahold, and works in partnership with Ahold USA supermarket companies including Stop & Shop and Giant Food. Peapod.com provides internet-based home shopping and grocery delivery as an integrated element of the Stop & Shop/Giant-Landover operating company.

- **Giant-Carlisle**
  Giant-Carlisle’s history began in 1923 when David Javitch opened a small meat market in Carlisle, Pennsylvania. The business was built on the premise of the “best products at the fairest price”. Today Giant-Carlisle operates more than 150 stores in four states - Pennsylvania, Virginia, Maryland and West Virginia and employs approximately 27,000 full and part-time employees. Giant-Carlisle continues to distinguish itself with a high level of selection and value for the money. The company maintains a strong focus on one-stop shopping for busy families and a commitment to healthy living. Many stores offer on-site gas stations, expanded deli, bakery, and produce departments, and include a wide array of prepared foods and organic selections.

In addition to its more conventional supermarkets, Giant-Carlisle is developing new formats to expand and broaden its geographic reach. In 2009, Giant opened Giant To Go, the company’s first ever stand-alone convenience store. At a little more than 4,400 square feet, this store combines on-the-go service for busy families with high quality, fresh products and savings.

**SHOP FORMATS**

**Store-based channel**
Ahold has stores operated in 27 countries with 8,842 stores operating at the start of 2002. This includes company-operated stores, franchised operations and associated stores with their operation being under contract with the store owner. The non-supermarket formats included some specialist stores mainly in the Netherlands, hypermarkets in Portugal, Brazil, Spain, Central Europe and Scandinavia, and local convenience stores in the US and Brazil.

**Foodservice channel**
Although since 1970 there had been a small foodservice operation in the Netherlands the substantive change in scale and performance in these activities in 1999 made foodservice into a major channel for the firm in its two major markets of the Netherlands and the US. Foodservice operation was in five national markets. The market position was number one in the Netherlands and Belgium and second largest elsewhere, in the US, Sweden and Norway.

**E-commerce channel**
The moves into e-commerce were smaller in scale, but followed a similar pattern to foodservice with major initiatives in the Netherlands and the US and lesser ones in other countries. Internet ordering

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was introduced in the Netherlands in 1999 and the effective purchase of Peapod in the US in 2000 became the basis of the e-commerce retail service.

There exist some interconnections between the three areas of activity with attempt to gain benefits from each other. The objective was to provide cycles of mutual support around the three activities.

3.5 Research variables of Ahold

INNOVATION
For these aspects we will need to look at the management process of the firm if measures have been taken to innovate the business firms and business concept. If we look at the mission statement of Ahold we can see that is has changed several times. This says to a degree that Ahold have changed in its concept, formula to adapt to the changing needs of the customers and market. Ahold has also introduced several new concepts to adapt to the changing markets. Some of them are the AH to go and AH XL. AH to go can mainly be found on traffic points where there are a lot of people, for example train stations and shopping centers. AH XL are supermarkets that have a bigger floor space about the 4000 m² with enough parking opportunities. These supermarkets have often a broader range of products and offer beside food products also other products like electronic and kitchen tools. Apart from this Ahold has also introduced new distribution channels like the online grocery shopping. Here you can order products 24 hours a day, 7 days a week. These products can be delivered to the places you want. Ahold has a strong focus on innovation and spends research on possible new concepts. Innovation has been a central aspect of the managerial approach in Ahold. The search for innovation extended across all functional areas. This involved new format development, local ranging and in-store operations that introduced individuality at local operating level. There was also innovation that generated benefits to scale across the organization with innovations in retailer branding and in multi-regional/national promotions. It is worth considering two different areas of innovation that require individual but different mixes of technology and managerial knowledge to generate innovative activity.

In the past Albert Heijn, the main chain of Ahold also had a strong focus on Innovation. It has introduced several new shopping layouts during the years, introduced the magazine Allerhande, newsmagazine, own brand products etc. In February 1992 an innovation was also introduced that fitted its time. An “AH Vaste klantenfonds” was founded. Customers and staff could participate in this fund. In this fund half of the money will be invested in shares of Ahold and the other half will be given as a loan to the company with a fixed interest. The employers of Albert Heijn could lend money to participate in the fund. The customers liked the idea and the selling of Albert Heijn stamps, the “spaarzegels”, went up with 7%.

BRAND CONTROL
The process of branding originated as a means for firms to differentiate their goods or services from those of competitors. Brands are a key resource that a firm can use to create sustained competitive advantage over its rivals. This advantage comes in the form of brand equity. To harvest this brand equity, however, requires careful and strategic brand management. Brand name plays an important role in creating brand awareness. Armed with a brand name, a firm is ready to build brand awareness

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through its marketing communications activities. These activity typically include advertising, sales promotion, personal selling and public relations. In this research we will investigate this items with the use of questionnaire, secondary information and own observation.

**Ranking**

To determine the ranking of Ahold between the different retail firms we will use the top 100 retail formulas, which are published by Locatus, an independent research agency in the retail area of Benelux. Albert Heijn, the main food retail chain of Ahold is ranked number 3 based on the number of distribution stores and number 1 based on the floor space in the Netherlands. Albert Heijn is very well known in the Netherlands because of their big scale and number of distribution stores. Albert Heijn is also well known among the consumers and can be ranked number one in the Netherlands in the food retail sector. If we look at the results of the questionnaire, which you can see in appendix VII we can conclude that almost all the participants of the questionnaire have ranked Albert Heijn as number one on the area of familiarity with its shops name. With these results we can conclude that the brand Albert Heijn is already very well integrated in the everyday life of people in the Netherlands and Albert Heijn can be ranked number one in the food retail sector in the Netherlands. Other shop formulas of Ahold, like the Stop&Shop are also leading food retailers in the northeast United States. Other shops like Albert are among the best known brands in food retail. With this we can see that Ahold have a strong focus on the brands of its stores. Their ambition is to be best known brand in their country.

**Store outlet Albert Heijn**

The outlets of Albert Heijn can be recognized by the blue AH logo it has and the name board Albert Heijn it has on the stores. In most of the times the stores also have blue flags hanging outside with the logo on it. In the windows you can normally see the advertisements it has for that week, mostly accompanied with the main color blue. The floor space of the supermarkets can vary between the 100-1000 m². The AH to go shops are often smaller in size and have a more transparent façade. They often offer only a selected assortment of the store. Albert Heijn XL on the other hand, which was introduced in 2002 is about the 4000m² and offers also non-food products like electronics, kitchen tools etc. The supermarket stores can often be found in A locations in living areas. For both offices and retail they talk about A, B or C locations. For retail the right location is of important concern. An A1 location is the main shopping area of a city. In other words the main shopping streets with the most known shopping formulas present. The fun shopping here is thoroughly present. The rent per square meter is high. The A2 locations are more the other streets leading to these main streets.36 For Albert Heijn an A location doesn’t necessary mean that they are located in the shopping streets, but that the locations they acquire counts a lot of passers by and in comparison with B locations have a higher rent. These locations are located normally closer to the living areas. But how can Ahold acquire these A locations. Besides Ahold there certainly are other competitors that are also interested in the stores in these locations. But because the rent is in most cases higher than the rent in B locations not that many grocery retailers can afford them. Also Ahold has a dominant market status in the Netherlands and there exists a possibility that real estate owners will rent or sell their property to Ahold because of their stability of income.

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Albert Heijn is ranked number one in the Netherlands based on its number of distribution stores. Albert Heijn therefore has far more stores in comparison with other food retailers. Because of the number of stores and their strategic locations you can often find an Albert Heijn supermarket in your direct neighborhood. Because of this convenience it offers for their customers and their broad assortment of products Albert Heijn has become a brand supermarket that can be recognized in the Netherlands.

If we look at the store design of the three store concepts Albert Heijn, AH to go and AH XL we can see some differences. The stores of Albert Heijn can be recognized by its logo, name board, flags and the advertisements that are on display. In most cases the stores are acquired and the interior of the stores will be adapted to fit the program of Albert Heijn. As for the façade there aren’t strict requirements, it will be just minimal adapted to fit the store design. If we look at the AH to go store concepts. These stores consist of a transparent glass façade and in a glance you can look into the whole store behind the façade, besides this the AH to go has the same central design as Albert Heijn. AH XL on the other hand has a more eye catching presence. Because of their scale, in most times they have the format of a giant box located near living areas. For the AG XL concept Ahold has put more focus on the design. In figure 3.5 you can see a giant façade of glass, behind façade you can see the AH XL logo and some advertisements. Another point that influence the architecture of the store design is the parking facilities that belongs to the AH to go. This takes a lot place in the direct neighborhood of the store or in this case has a two floors parking garage included in the store. The AH XL is because of their scale and also their use of many parking facilities more located at the periphery locations just outside the city center, because of the availability of more space, lower rent and better accessibility by car.
Other store outlets of Ahold

In the figures 3.6 till 3.11 you can see some other façades of the store outlets of brand stores under Ahold. You can see the façades of Etos, Gall&Gall, Hypernova, ICA, Stop&Shop and Giant-Landover. As you can see each of the brand stores have its own shop design. This is also the consequences of one of the main points of Ahold’s strategy in comparison with other retailers. During the acquisition of Ahold’s brand stores Ahold leaves the management of the original brand untouched. The stores can keep their name, management staff etc. That is why each of the brand stores can keep their central shop design and therefore differs one from another. For example Hypernova uses the central colors blue and yellow while ICA uses more the color red and white. These are all different from the central color blue that Ahold uses. Ahold aims to give its various retail fascias the maximum of autonomy in each country.
Interior store outlets

For the interior of the store outlets we will mainly talk about the main aspects of the differences and similarities in the store concepts of Albert Heijn, Albert Heijn to go and Albert Heijn XL. The main differences in the three store concepts are mainly in the difference in scale. Albert Heijn to go only offer a selective assortment with mainly one person’s portions. Also their store design is lot more compact in comparison with a normal Albert Heijn store. The floor space is smaller and there is no routing in the store. All the products can be seen in one glance. If we look at a normal Albert Heijn then the routing is a lot more important. The lay-out of the shop is designed with the use of shopping carts and baskets in mind. The products are classified in segments and the cash desks are in general bigger. The Albert Heijn XL offers a broader assortment of products and AH XL focus more on people who comes with a car and not doing the grocery daily. For this concept there are more parking opportunities, in most cases they have their own parking lots. The layouts of the supermarkets are more stretched out and are designed for the use of shopping carts. An important aspect with AH XL is that they put more focus on the design and display of the different segments, like vegetables, meet, bread, wine etc. These segments are well designed so that their customers can easily recognize them. As for the cash desks, besides regular ones, there also exist the self-scan cash desks for people who uses pin or chip so that customers can avoid long ques. If we look at the interior of these three stores concept all three of them use more or less the same design in materials, lightning, structure etc. The difference lay more on the scale aspects and AH XL has more focus on the design and display of its different departments, like vegetables, meat, bread etc. in the supermarkets.
Figure 3.12 Interior Albert Heijn in the Hague.
Photo: Su Jing Chung. Date: 03-06-2010

Description: 1) more spacious cash desks. 2) routing designed with in mind the use of shopping carts and baskets. 3) products classified in segments.

Figure 3.13 Cash desks Albert Heijn in the Hague.
Photo: Su Jing Chung. Date: 03-06-2010.

Description: 1) more spacious cash desks. 2) routing designed with in mind the use of shopping carts and baskets. 3) products classified in segments.

Figure 3.14 Interior Albert Heijn To Go in the Hague central station. Photo: Su Jing Chung. Date: 03-06-2010

Description: 1) Mainly one persons portions, ready to eat products. 2) Small and compact floor space, no routing.

Figure 3.15 Albert Heijn To Go in the Hague central station. Photo: Su Jing Chung. Date: 03-06-2010.

Description: 1) Mainly one persons portions, ready to eat products. 2) Small and compact floor space, no routing.

Figure 3.16 Department Grill & Steak in Albert Heijn XL in Leiden. Photo: Su Jing Chung. Date: 02-06-2010

Description: 1) design and display of different segments. 2) spacious routing for the use of shopping carts. 3) besides regular also self-scan cash desks. 4) lightning on the products.

Figure 3.17 Interior Albert Heijn XL in Leiden. Photo: Su Jing Chung. Date: 02-06-2010

Description: 1) design and display of different segments. 2) spacious routing for the use of shopping carts. 3) besides regular also self-scan cash desks. 4) lightning on the products.
Table 3.1 Store aspects AH, AH to go and AH XL

<table>
<thead>
<tr>
<th></th>
<th>Albert Heijn</th>
<th>AH to go</th>
<th>AH XL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Façade</td>
<td>Adapted in environment with a central shop design</td>
<td>Glass façade, entrance in the middle</td>
<td>Eye catching building (box) in environment</td>
</tr>
<tr>
<td>Routing</td>
<td>Mostly Linear routing. At the beginning in the entrance some open routing through the vegetables and meat department.</td>
<td>- (Compact floor space)</td>
<td>Open routing through different departments followed by a linear routing.</td>
</tr>
<tr>
<td>Parking facilities</td>
<td>Yes</td>
<td>&lt;160m²</td>
<td>Yes</td>
</tr>
<tr>
<td>Scale</td>
<td>100-1000m²</td>
<td></td>
<td>+ 4000m²</td>
</tr>
<tr>
<td>Lightning</td>
<td>Well finished off lighting in the ceilings, bright lighting</td>
<td>Well finished off lighting in the ceilings, bright lighting</td>
<td>Well finished off lightning in the ceilings and some spotlights.</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>Structured, clean</td>
<td>Structured, clean and compact</td>
<td>Structured, clean and market departments</td>
</tr>
<tr>
<td>Material/ color</td>
<td>Bright lightning, white, blue and orange.</td>
<td>White, blue</td>
<td>Different design in departments, bright lightning, white, blue and orange.</td>
</tr>
</tbody>
</table>

Brand products versus private brands labels

In the broad assortment of Albert Heijn you can find besides the brand product like Unox, Calve, blue Band etc. also the own brand products of Albert Heijn itself. These products are often offered for a smaller price. In the supermarkets you can find these products in the same stands so that the consumer themselves can compare the products and choose which one they want to buy. Despite the broad range of own brand products the brand of Albert Heijn isn’t as yet as famous as the brand products in the store, but consumers nowadays are more demanding about their money and you can see that there is a trend of more people buying the less expensive home brand products.

ADAPTATION TO THE MARKET

For this variable it is nice knowing what kind of measures Ahold have taken in the past to adapt to the changing market. From its annual reports and information gathered during the literature study several points are known in the strategic implementation.

In considering Ahold’s store operations it is essential to distinguish between the formats that are used and the branded formulae that Ahold create. Ahold operates many different store formats. While the supermarket is the dominant form the companies acquired by Ahold developed hypermarkets, discount stores, convenient stores, supermarkets, drugstores, specialist food stores and department stores. The range of branded formulae of these formats is very large.

The marketing activities involve local implementation of centrally defined policies. Two areas will be used to illustrate this approach: the areas of retail brand items and promotional activity. There was a central policy of developing retailer branded products and the execution of this was the responsibility of local operations. The retail branding activities were related to local markets but often lack real authority because of the small share of these items. In promotional activity it was again local-level decisions that affect the main decisions on promotional campaigns, items promoted, media used and extent of the use of promotion.

With the broadly based approach to the food market Ahold’s strategy was to expand into markets where their expertise in supermarket operation could gain them a foothold. Other than in their
domestic market there had been few moves into the highly competitive, heavily stored and low growth markets in Western Europe. In addition, in several of these markets the levels of concentration were high and entry barriers were correspondingly high. Major acquisitions or joint-ventures have become the only way to enter these markets. Although the accessing of potential markets has an element of serendipity, it is interesting to note that the most opportunistic moves, notably into South America, have proved to be the most difficult to manage. The opportunism in Central Europe was notable in Poland and again development here was more difficult than in Slovakia where a much clearer strategy was implemented.

In the growth strategy of Ahold the acquisition approach proved by far the most effective mechanism for expanding Ahold’s international operations in the early 1990s with further purchases in the US, Top Markets in 1991, Red Food Stores in 1994, Mayfair in 1995 and Stop & Shop in 1996. By early 1995 Ahold had a very strong domestic operation, a substantial portfolio of store chains in the east of the US, and an emerging presence in the Czech Republic. From this base a program of extensive expansion was launched into Asia and South America, a return to Spain, and further acquisition in North America. With the exception of North America, where Stop & Shop was acquired in 1996 and Giant Landover in 1999, joint-ventures were the favored entry mechanism with in many cases either full ownership or withdrawal occurring within three or four years. The mid-1990s were a turning point in Ahold’s strategy with moves to build on the solid foundations in the Netherlands and the US by expansion into higher risk markets.

Acquisition activity exhibits some distinct patterns. It was the preferred mode of market entry into lower-risk markets. For the higher-risk markets joint-ventures followed either by a buy-out of the partner or withdrawal were preferred. Acquisitions have been used to build market presence in a region of a large national market or in a smaller national market, first through a series of small acquisitions and then by a substantial one. If we look at the investments and divestment activities in the USA. The US expansion program had a relatively gradual and steady increase since the late 1970s. The mid-to-late 1990s witnessed a significant change in the momentum of Ahold’s internationalization efforts, see also table 3.2. Most notably, this involved acquiring several regional supermarkets chains in the retail markets in the Northeast USA.

Table 3.2 Ahold’s expansion in the USA.

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Region</th>
<th>Activity</th>
<th>No of stores</th>
<th>Acquiring company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>BI LO</td>
<td>SE, US</td>
<td>Food retailing</td>
<td>98</td>
<td>Ahold</td>
</tr>
<tr>
<td>1981</td>
<td>Giant Food (Carlisle)</td>
<td>NE, US</td>
<td>Food retailing</td>
<td></td>
<td>Ahold</td>
</tr>
<tr>
<td>1988</td>
<td>Edwards</td>
<td>NE, US</td>
<td>Food retailing</td>
<td></td>
<td>Ahold</td>
</tr>
<tr>
<td>1988</td>
<td>Finast</td>
<td>NE, US</td>
<td>Food retailing</td>
<td></td>
<td>Ahold</td>
</tr>
<tr>
<td>1995</td>
<td>Mayfair Supermarkets</td>
<td>NE, US</td>
<td>Food retailing</td>
<td></td>
<td>Stop &amp; Shop</td>
</tr>
<tr>
<td>1991</td>
<td>Tops</td>
<td>NE, US</td>
<td>Food retailing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>Stop &amp; Shop</td>
<td>NE, US</td>
<td>Food retailing</td>
<td>176</td>
<td>Ahold</td>
</tr>
<tr>
<td>1998</td>
<td>Giant Foods Landover</td>
<td>NE, US</td>
<td>Food retailing</td>
<td>170</td>
<td>Ahold</td>
</tr>
<tr>
<td>2000</td>
<td>US Foodservice</td>
<td>US nationwide</td>
<td>Food service</td>
<td>n/a</td>
<td>Ahold</td>
</tr>
<tr>
<td>2000</td>
<td>Sugar Creek</td>
<td>NE US, NY state</td>
<td>Petrol</td>
<td>87</td>
<td>Ahold</td>
</tr>
<tr>
<td>2000</td>
<td>Peapod</td>
<td>8 US cities</td>
<td>Internet</td>
<td>n/a</td>
<td>Ahold</td>
</tr>
<tr>
<td>2000</td>
<td>Golden gallon</td>
<td>SE US, Tennessee</td>
<td>Petrol</td>
<td>134</td>
<td>Ahold</td>
</tr>
<tr>
<td>2000</td>
<td>GFG Foodservice</td>
<td>Dakota and MN</td>
<td>Food service</td>
<td>n/a</td>
<td>US Foodservice</td>
</tr>
<tr>
<td>2000</td>
<td>PYA Monarch</td>
<td>SE region</td>
<td>Food service</td>
<td>n/a</td>
<td>US Foodservice</td>
</tr>
</tbody>
</table>
In October 1999 Ahold had also announced that it was divesting its Chinese, Indonesian and Singaporean operations to concentrate on the retail markets of Malaysia and Thailand. The reasons for the withdrawals were simple, because there were no returns. The thinking behind the divestment was evident from the following comments made by Ahold’s management: “We have exited China and Singapore and will exit Indonesia. It’s a very simple thing. If there are no returns and there is little outlook for returns we exit. It’s nothing to do with “losing face”. If there is no future in China in the next 10 years, we can put our capital to use elsewhere. We cannot envisage a situation where these ventures would turn a profit in the medium-term.” 

In table 3.3 you can see an overview of the divestment activities in Asia between 1996 and 1999.

### Table 3.3 Ahold’s investment and divestment activities in Asia 1996-1999.

<table>
<thead>
<tr>
<th>Date of entry</th>
<th>Country</th>
<th>Mode of entry</th>
<th>Market exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>Malaysia</td>
<td>Joint-venture with Perlis Planations Bhd (Ahold share 65 per cent)</td>
<td>-</td>
</tr>
<tr>
<td>1996</td>
<td>China</td>
<td>Joint-venture with Zhongui supermarkets</td>
<td>October 1999 sold tops to local partner</td>
</tr>
<tr>
<td>1997</td>
<td>Singapore</td>
<td>Joint-venture with Kuok Group (Ahold share 60 per cent)</td>
<td>October 1999 sold tops to diary farm</td>
</tr>
<tr>
<td>1997</td>
<td>Thailand</td>
<td>Joint-venture with Central Robinson Group (100 per cent owned in 1998)</td>
<td>-</td>
</tr>
<tr>
<td>1997</td>
<td>Indonesia</td>
<td>Organic store-by-store development. Technical assistance agreement with PSP Group.</td>
<td>-</td>
</tr>
</tbody>
</table>

If we look at the present Ahold has withdraw from several markets and is now mainly operating in Europe and the United States. Unless otherwise indicated, these are wholly or virtually wholly owned subsidiaries. Subsidiaries not important to providing an insight into the Group as required under Dutch law are omitted from this list. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Netherlands Civil Code. Pursuant to said section 403, Ahold has issued declarations of assumption of liability for the Dutch subsidiaries forming part of the consolidation with the exception of Schuitema N.V.

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Another adaptation that Ahold had made is to adapt its markets prices with the market. Ahold major chain Albert Heijn for example has launched a price war between supermarkets in the Netherlands in October 2003. Albert Heijn decided to put a stop to its deteriorating price image among consumers. To this effect, it launched the opening shot for a lengthy price war in October 2003. Royal Ahold misused the market dominance of Albert Heijn in the Netherlands by forcing local management to maximize profit and cash flow. The huge cash flow was used for funding the enormous expansion of Royal Ahold. Because of severe mismanagement in the USA and Scandinavia, Royal Ahold got into trouble at the beginning of 2003. This resulted in a 90% collapse in the stock price and near bankruptcy. Shareholders forced the CEO, Cees van der Hoeven, to resign. The new CEO, Andres Moberg, the former CEO of IKEA, downsized Royal Ahold and gave local management more authority to operate. At that time September 2003, Albert Heijn was perceived as service oriented but very expensive. Given all this, Albert Heijn’s management had no choice but to regain customer confidence. They decided to cut costs and launch a service and price offensive. Starting in October 2003. Albert Heijn substantially decreased the prices of almost one thousand branded products every week. The price difference of an average basket dropped to + 8%. They reinforced their private labels (Euroshopper and AH private brand). Later, they also successfully introduced several other private labels, like AH excellent, AH biologic and AH Express. By 2008, Albert Heijn had reinforced its market leadership. Market share has grown, as well as customer franchise.39

SCALE AND SCOPE

For the research variables for this aspect we will take into account the number of stores and scale of the stores. For this research we can use the source provided from Locatus, an independent source leader on the area of retail information in Benelux. With cooperation of “de vastgoedmarkt” they develop twice a year a top 100 retail formulas in the Benelux based on the number of outlets and the number of stores. In appendix VI you can see the top 100 formulas in the Netherlands based on their floor space and number of distribution stores. If we look for Ahold in this list, we can see the formulas like the Albert Heijn and Etos are placed in the top 50. Based on the number of outlet stores Albert Heijn is placed on number 3, Gall&Gall on number 7 and Etas on number 10. If we look at the top 50 based on floor space we can see that Albert Heijn is in this case the top of the list, while Etos is number 32 and AH XL number 36. From this statistics we can conclude that Ahold have a strong focus on the scale and scope of its real estate. They intend to maintain this status by being the dominant food retailer in the Netherlands based on their number and scale of their stores.

Location

If we look at the location criteria’s of mainly the three shop concepts of Albert Heijn we can see the difference in scope of the target group. The regular Albert Heijn supermarkets can often be found in A locations in living areas. For Albert Heijn an A location doesn’t necessary mean that they are located in the shopping streets, but that the locations they acquire counts a lot of passersby and in comparison with B locations have a higher rent. These locations are located normally closer to the living areas. The supermarkets located in here normally target the households located in the neighborhood. AH to go are located in busy traffic points where a lot of people gather at a short amount of time. They are mainly located in train stations where people can buy some food products in between their travels. The AH to go shops mainly target people who travels with the public transport and buy something convenient to eat instead of doing grocery shopping. At last AH XL is because of their scale and their parking facilities more located at the periphery locations just outside the city center. These locations have a lower rent and are better accessible by car. AH XL offers a broader assortment of products and has a more spacious floor layout. AH XL targets more households who do their grocery for more than one day and come mostly with their cars to store some food products at home.

Opening hours

If we look at Albert Heijn in the Netherlands, the most Albert Heijn supermarkets are open from 09.00-21.00 hour every day from Monday till Saturday, but in recent years the opening hours of Ahold have also expanded to the Sundays. More supermarkets of Ahold are also open on Sunday. Dependent on the locations their opening hours are different. In the smaller cities the supermarkets are open from 16.00-21.00 hour on Sunday and in the bigger cities or places where a lot of people visit the opening hours are the same as the normal days in the week so about 09.00-21.00 hour. In some places the opening hours are longer, from 08.00-22.00 hour and in some cases the stores open at 07.00 hour. So dependent on the locations the opening hours can differ from each other but they all aim to be open from Monday till Saturday and in recent years more stores are also open on the Sundays. So with this piece of information we can see that in recent years Ahold is slowly trying to expand the opening hours dependent on the places. If there is a market for it they will expand their opening hours. In recent year Ahold have expanded their opening hours and increased their scope in the market to attract more consumers. Nowadays consumers have a busy life and don’t have enough
time to do their groceries after their work or study etc. By expanding the opening hours they create a more comfortable way for their target group and increase their influence on them.

**Target group**

Ahold supermarkets focus mainly on the household’s. Every household needs to do grocery and Albert Heijn, the main chain from Ahold wants to attract these households with an average income group. Ahold try to be in every A location and therefore you in most cases you will find an Albert Heijn in the neighborhood. So the target group of Albert Heijn is extremely broad and Albert Heijn tends to keep this target group by focusing on their number of stores in the Netherlands to increase their scope in Netherland.

**BUSINESS PROCESSES**

For this aspect more information needs to be gathered in the process. This can be done with information gathered in the annual reports and with the use of interviews etc. For answering this question I have talked with an employee\(^\text{40}\) of Albert Heijn who works there as a goods organizer. For private reasons this employee wants to remain anonym, therefore I won’t name her name in this report. She told me that in Albert Heijn the goods will be filled/ refreshed twice a week. This is about all the basic products that need to be refilled. So Albert Heijn has a basic collection of products. Every few weeks in Albert Heijn there will also be some basic products that will be on bonus. These products are located on different stands than they normally are for advertisements skills so that they can catch more attention.

Ahold also has a focus in more efficient transport and distribution. Reducing the environmental impact of the transportation and distribution network makes good business sense. In most cases, the measures they are taking also reduce operating costs and increase efficiency. In addition, Albert Heijn has introduced “whisper trucks”, truck trailers which are almost silent and therefore less disruptive. This means the company can make deliveries at night and in the early morning, avoiding traffic in peak hours and reducing travel time and energy use. The company aims to deliver all its products in whisper trucks from 2010. Ahold is also taking steps to limit business travel and encourage employees to conduct meetings by telephone or videoconferencing wherever possible. Other initiatives include carpool programs at Giant-Carlisle and ICA and an offset program for greenhouse gas emissions at ICA.\(^\text{41}\)

### 3.6 Results of real estate strategy

If we talk about the main chain formula Albert Heijn of Ahold we can conclude that the real estate strategy of Albert Heijn has a strong focus on scale and scope. It has numerous shops in the Netherlands and is located in top locations. For Ahold top locations doesn’t necessary mean locations at busy shopping street, which is the case for more the non-food sectors. For Ahold, who is more a food retailer a top location means concentrating in strategic points were people gather or more

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\(^{40}\) Interview with an employee working as a goods organizer of Albert Heijn on March 4 2010 in Leiden on the Hooigracht.

located at points nearby living residences. These locations have a higher rent price in general than B locations, but only establishing stores in A locations is a policy of Albert Heijn. Albert Heijn in the Netherlands has a dominant position because they have a large number of stores located at these strategic top locations.

We can also say that this supermarket chain is the best known in the Netherlands through its elaborate product collections and number of stores. It also has a broad target group. In the top 100 retail formulas published by Locatus, an independent research agency we can see that Albert Heijn is ranked number one based on its number of distribution stores and number three based on its floor space. With this we can conclude that Albert Heijn outnumbers other supermarket formulas in the Netherlands. Albert Heijn is also very well known and dominant in the Netherlands and function as a brand. There was a central policy of developing retailer branded products and the execution of this was the responsibility of local operations. Albert Heijn also has a strong focus on innovation. Ahold has published new innovative store concept and new distribution channels, like the AH to go, AH XL and online grocery shopping. In the past Albert Heijn also had a lot of focus on innovation and published the magazine Allerhande, introduced the Albert Heijn stamps, also called the “spaarzegeltjes” and the Bonus cart etc. From this we can conclude that Albert Heijn has had from the past till now a focus on innovation.

Albert Heijn has a store concept that is recognizable for the consumers. All the store can be recognized by the blue AH logo and with the use of the Albert Heijn name board, blue AH flags and AH advertisements on the façade the stores can be easily recognizable. Also the interior of the stores are more or less the same. Products are organized more or less the same way in every Albert Heijn store, because of the central policy. They also decide which products will go to the bonus every week and what kind of advertisements skills they will use. But most importantly Albert Heijn distinguished itself from other supermarkets with its broad assortment of products. Their mission is "to make the ordinary affordable and the extraordinary attainable" for customers.

Acquisition is the main entry mode for Ahold. It was the preferred mode of market entry into lower-risk markets. For the higher-risk markets joint-ventures followed either by a buy-out of the partner or withdrawal were preferred. Acquisitions have been used to build market presence in a region of a large national market or in a smaller national market, first through a series of small acquisitions and then by a substantial one. Acquisition is a preferred entry mode by Ahold to enter a market and adapt to a market. Ahold also has used other methods to adapt to the markets, for example to change their market format, introduce new shopping formulas and distribution channels, but also adopting their product collection and prices to the market.

A comparison between the three leading food retailers, Wal-Mart, Carrefour and Ahold shows there are some key differences between their organizational organizations. While Carrefour adapted a matrix organization of countries and formats in order to gain greater coherence, Ahold took a much more decentralized structure. Ahold aimed to give its various retail fascias the maximum of autonomy in each country. Given the importance of its domestic market, Wal-mart aims to maintain a centralized international management structure in order to use its key weapon, the control of the supply chain.42

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If we look at the divestment activities of Ahold and especially at the divestments in North America and Asia we can distinguish between operational and non-operational divestment activities. The operational divestments activities of Ahold demonstrate the operational role of international retail divestments in remodeling and rejuvenating an underperforming chain of stores. An operational aspect of Ahold’s international strategy has been to concentrate on its stronger brands with local appeal and to divest weak brands in order to establish a stronger customer image position in the market. Significant changes were made to imperfect brands because of the danger that these brands could hold back the development of the stronger and robust brands, particularly in the overlapping regions. The non-operational divestments activities in the US were principally used as a way of sidestepping the regulatory environment. Divestment was largely a result of in-fill acquisitions. Ahold’s use of store or development site disposals as a means of facilitating further expansion was particularly marked in its proposed acquisition of Pathmark stores in the USA in 1999, where a high degree of overlap with the acquired business would have resulted in a higher number of enforced divestments and also in its approved actual acquisition of Bruno’s Supermarkets and its divestment of 10 BILO supermarkets. The non-operational dimension to Ahold’s divestment activity is also evident in its consideration of forcing other firms to exit a take-over target.

3.7 Conclusions

In this chapter we have looked at the degree of influence the five success factors for internationalization strategies had on Ahold’s strategy. In the literature innovation, brand control, adaptation, scale and scope and faster business processes have been said to be factors that can positively influence the internationalization strategies for retailers dependent on how much focus is put on these factors during the process. In this research these factors have been used as variables to analyze the internationalization strategies of several retailers. In table 3.5 you can see the main points that became clear after looking into the case study of Ahold. During the research it became clear that the strategy of Ahold have a focus on innovation. Several new shopping concepts have been introduced during the years, like AH XL, AH to go and the online shop, were you can do your grocery online and were the products will be delivered to the place you want. Innovation has also been a central aspect of the managerial approach in Ahold. Other approaches which show a strong focus on innovation during the years are for example new shopping layouts, magazine Allerhande, “AH Vaste Klanten Fonds”, AH stamps etc.

If we look at brand control Ahold is a leading food retailer in the countries were they are established. In the Netherlands Albert Heijn is ranked number one by the retailers. Also in the other countries where Ahold has other brand stores they are a dominant food retailer in that area. Their shops have a central design so that they can be easily recognizable by its customers. Every brand shop formula of Ahold has its own central shop design. An important point in the strategy of Ahold is that after an acquisition Ahold let the formulas maintain their name and management system. Because of this their name and shop design remains the same and each shop formulae of Ahold had its own characteristics. Ahold’s ambition is to become the best known in the country they enter.

To adapt to the environment where their stores operate Ahold operates in many different formats. Besides supermarkets they also operate in hypermarkets, discount stores etc. dependent on the
market opportunities in the country. Also nowadays Ahold has relatively few moves into the highly competitive, heavily stored and low growth markets in Western Europe. If they operate it is mainly through major acquisitions or joint-ventures. If there is the need to maintain the dominant status the Ahold stores have in the countries they will also adapt the prices with the market. Maintaining the dominant status is the top priority of Ahold.

Ahold has a strong focus on scale and scope. In the Netherlands Albert Heijn, the main shop formula of Ahold, has dominate the food retail sector. Albert Heijn has the most stores in the Netherlands and has out conquered other competitors. You can find an Albert Heijn store almost everywhere in the Netherlands. In most of the times Albert Heijn is also the supermarket who is the most nearby. Also in other countries brand stores of Ahold are the dominant food retailers there. The Stores of Ahold are placed in A locations in the neighborhoods of residential areas. In spite of the strong focus on scale and scope Ahold has their number of stores have almost been decreased by a half from 2002 to 2009\(^\text{43}\). This is the cause of the scandal in 2003 that led Ahold in a lot of debt and withdrawals in a few markets. But still after the scandal Ahold regained the trust of its costumers and concentrated on the shop formulas it had.

As for the business process of Ahold the shopping formulas of Ahold each have its own system. With the case of Albert Heijn the products will be refreshed twice a week and they have a focus on more efficient transport and distribution.

Table 3.5 Main points research variables Ahold

<table>
<thead>
<tr>
<th>Innovation</th>
<th>Several new shop concepts during the years: AH XL, AH to go and Online shop.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Innovation has been a central aspect of the managerial approach in Ahold.</td>
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<tr>
<td></td>
<td>New shopping layouts, magazine Allerhande, “AH Vaste Klanten Fonds”, AH stamps etc.</td>
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<tr>
<td>Brand control</td>
<td>Leading food retailer</td>
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<td></td>
<td>Best known brand supermarket in the country</td>
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<td></td>
<td>Central shop design</td>
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<td></td>
<td>Each shopping formula its own brand</td>
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<td></td>
<td>Own brand products</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Ahold operates many different store formats. Besides supermarkets also hypermarkets, discount stores etc.</td>
</tr>
<tr>
<td></td>
<td>Few moves into the highly competitive, heavily stored and low growth markets in Western Europe.</td>
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<tr>
<td></td>
<td>Major acquisitions or joint-ventures.</td>
</tr>
<tr>
<td></td>
<td>Adapting market prices with the market.</td>
</tr>
<tr>
<td>Scale and scope</td>
<td>Strong focus on the scale and scope of its real estate.</td>
</tr>
<tr>
<td></td>
<td>Being the dominant food retailer in the Netherlands based on their number and scale of their stores.</td>
</tr>
<tr>
<td></td>
<td>A locations (within 15 minutes walk)</td>
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<tr>
<td></td>
<td>Broadening opening hours and target group.</td>
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</table>

After discussing the main points in the case study of Ahold we will look again at the theoretical framework discussed in chapter 2.

Ahold belongs to the cluster “Emboldened Internationalists” in the model of Treatgold. In chapter 2 it was already told that the “Emboldened Internationalists” operates more in the general retailing and or luxury products, see figure 2.4. Ahold is a dominant retailer in the grocery world. Their concept is to offer a broad assortment of quality products for an affordable price. Ahold mainly works with a basic product collection and operates more in the general retailing than that of the luxury products. This is maybe one of the reasons why Ahold have less focus on adaptation and faster operation than Inditex-Zara and H&M who belongs more to the “Aggressive Internationalists” and have a more trend sensitive collection that needs to be adapted constantly.

The “Emboldened Internationalists” also have a more dispersed geographical spread instead of a multinational geographical spread as that of the “Aggressive Internationalists”. That is maybe also one of the reasons why Ahold from the “Emboldened Internationalists” have a stronger focus and basis in their domestic market and aim to be a dominant player in the markets they have entered.

3.8 Reflection

Ahold have had encountered different changes in their real estate strategy during their internationalization process. You can think of the withdrawal from the Asia market, the aggressive acquisitions in the United States in just a few years time, followed by the scandal in 2003, which led to serious debts and a more cautious strategy. This accounting scandal by US Foodservice has led Ahold to a debt of about net 1.2 billion. The turnover of the Ahold-supermarkets in Europe has also declined with 17,1% in 2002. Ahold has changed their real estate strategy after the scandal from an aggressive approach to a more cautious approach in recent years. They have concentrated in regaining their customers trust in the recent years, have withdraw from some countries and just have gradually begin with taking over other chains. Ahold is one of the food retailers that have undergone many changes in their real estate strategy. If we now reflect on those decisions made in the past we can say that the decisions made in the past to acquire chains in the United States were made too fast. Acquisitions took place one after another within a few years. Maybe these actions were made too quickly without adequate research. In those years Ahold indeed had an enormous grow, but during those times Ahold has lost its insight in the business process. Nowadays after the scandal Ahold has a far more stable strategy. Personally I think that this change in strategy is a better one in comparison with the aggressive approach in the past. Ahold has learned from its past mistakes and works now more towards the ambition thinking of its customers first than to have an annual grow of at least 3%. Decisions taken in the board are also more carefully taken now.

Future trends, developments that Ahold needs to take into account are the changing shopping behavior of customers. Customers nowadays tend to have more focus on the convenient aspects when doing grocery. They want to buy all their products at one place. Supermarkets of Ahold need to maintain their broad variety of products to remain attractive for customers, also these products
needs to be of good quality and for an affordable price. Other aspects that return in the grocery world are the concept of experience shopping. Nowadays in the supermarkets in the Netherlands, besides Albert Heijn, like the Emote supermarket from the Siros, Super de Boer etc. have to an increasing degree introduced the experience concept that consist of aspects like food tasting, small stalls in the supermarket, comfortable sitting places, themes products etc. that make the grocery shopping more an event. These aspects that other competitors of Ahold use should also be taken into account and can be introduced in the stores of Albert Heijn once again. Other trends that Ahold should take into account are more focus on sustainable products and the internet distribution. The new private label of Albert Heijn AH Pour& Earlake is an example of Albert Heijn’s focus on responsible products that shows its focus on sustainable products.

To conclude there are some pitfalls that Ahold should avoid, like its big-scale production. Central distributions and big-scale production can be detriment to the quality of the products. So Ahold should focus on its quality of the products and only import fresh vegetables etc. Also because of their big-scale productions they tend to lose their focus on the experience concept of grocery stores, like food tasting etc. In the future Ahold’s brand stores should keep this in mind.
4. Maxeda

Maxeda is a Dutch retail group with 11 formats active in different countries in Europe. The different formats are active in the Netherlands, Germany, Belgium, Denmark, France and Spain. In this retail group the following formulas are included: Department stores (Vroom & Dreesmann and de Bijenkorf), Do it yourself stores, Fashion stores and other formats like restaurants and jewelers. The retail group is a company with limited liability, with its headquarters in Amsterdam. The company has 44,000 employees in seven countries.

4.1 Historical Background

Maxeda BV is a retail group of Dutch origin. This retail group was named from 1999 till 2004 Vendex KBB NV, and from 2004 till 2006 Vendex KBB BV. It was founded in 1999 after they merged with Vendex (with as main formula Vroom & Dreesmann) and KBB (with main formulas De Bijenkorf and Hema). In 2007 the formula Hema was sold to the British investment company Lion Capital.

In 1998 the Vendex Foodgroup, with main formulas Edah and Konmar, fused with De Boer/Unigro to Laurus. In 2004 it was well-known that Vendex KBB would be taken over by a group investors, named Kohlberg Kravis Roberts & Co (KKR), Change Capital Partners and AlpInvest Partners. They were merged together in VDXK Acquisition BV. Later on Change Capital left the VDXK. In July 2004 Vendex KBB was definitive taken over by VDXK after all the shares were taken over. In February 2005 Vendex KBB sell It’s, Modern Electronics and Prijstopper to Impact Retail. In May 2005 they sold Dixons and Dynabyte to Dexcom Holdings. In July 2006 the name Vendex KBB was changed in Maxeda to mark a new company philosophy. In June 2007, the department store HEMA was sold to Lion Capital, in April 2009 Claudia Sträter was sold to 2Deal Ventures, in December 2009 the jewelry chain Schaap & Citroen was sold to Leon Martens Juweliers and at last in February 2010 Maxeda again put its main chains the Bijenkorf, V&D, Hunkemöller and M&S mode on sell.

4.2 Emboldened internationalist

Maxeda is categorized in the cluster of emboldened internationalist in the model of Treatgold. This cluster is populated by a number of companies with multinational ambitions. In this cluster the establishing of a presence in countries with a similar socio-economic and cultural character to the domestic market is an overwhelming criterion in determining the orientation of their overseas investment. Maxeda has formulas in different countries in Europe. These are the Netherlands, Belgium, Luxemburg, German, France and Spain. Maxeda also have some international franchises. Maxeda decided to expand to countries in Europe with more or less similar socio-economic cultural conditions. If we look at the difference in markets in 2003 and 2009 we can see that the main markets have stayed the same. In 2009 only some international franchises in the Baltic States, Russia, Saudi Arabia, Egypt, Curacao and Aruba have been added. Maxeda belongs to the cluster of the Emboldened Internationalist based on their international presence in Europe and their high investments in entry and operating strategies. They have an international presence, but don’t have a worldwide domination yet. They are only active now mainly in one continent and therefore don’t belong to the cluster of Aggressive Internationalist who have a more worldwide brand and presence.

4.3 Concept

The philosophy of Maxeda can be stated in one sentence. That is the passion to serve. The Passion to Serve our people who serve our customers will be the source of our success. At Maxeda this passion will make our customers’ needs and desires the driving force in our business. The executive chairman of Maxeda has said the following:

“ We will only achieve great results if we are ready to serve the people who serve our customers. ”

(Tony DeNunzio, Executive Chairman Maxeda)

In the vision of Maxeda the customer is now at the top of the pyramid and has taken the reins. The customer is acting like King Customer. This has happened in less than 10 years and is perhaps the most important change that confronts us. King Customer wants things Now, at a Low Price and with

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High Quality and Plenty of Service, Varied, Guaranteed and it has to Look Great. Above all, though, what they want is a Listening Ear. 46

Maxeda aims to maximize the potential of each format and optimize group synergies. This potential will be unleashed with an absolute operational focus on selling more, buying better and saving cash and costs. The group’s character will develop with a common leadership style and cultural values. In this way we will strive to deliver great results for all our stakeholders.

Maxeda’s formula for success is compelling and deceptively simple:
1. We will Win by Serving the Needs of Our People and Our Customers;
2. We will Maximize the Opportunities of Each Format and Optimize Group Synergy;
3. We will Deliver Great Results for All our Stakeholders. 47

4.4 Shop formulas

The Maxeda retail group has several shop formulas. These consist of department stores, do it yourself formulas, fashion stores and several others formulas. During this case study we will focus only on the fashion department of Maxeda. This is because the fashion department of Maxeda is the one most active international in Europe in comparison with the others departments. In the fashion branch Maxeda has two formulas, Hunkemöller and M&S.

- **Hunkemöller**
  Hunkemöller is one of the biggest international special product formulas for lingerie, sleepwear and swimwear in Europe. The formula has exclusively only products of their own brand and has product that fits good, looks pleasant and attractive. Hunkemöller is the market leader in Benelux and has in total 390 shops and is expanding now in German, France, Spain, Turkey, Middle-east, East-Europe and Russia.

- **M&S**
  M&S is an international fashion chain who offers affordable fashion to woman above the 35 years. The extensive custom series, measurement 36 till 54, are all evenly priced. M&S grows and expands in Europe. Meanwhile M&S has more than 440 stores in the Netherlands, Belgium, Luxemburg, German, France and Spain.

4.5 Research variables of Maxeda

INNOVATION

Maxeda has been active and innovative in the past years in the following ways. Two years ago they just started to expand to countries outside of Europe where they know relatively less about its culture and market. They have entered markets in the Baltic States, Russia, Saudi Arabia, Egypt, Curaçao and Aruba. For the first time they used international franchising to cope with the lack in knowledge. It is also in recent years, 2 till 3 years ago that they have begun with the concept shops in


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shops. In this concept a part of the collection of Hunkemöller can be found in the department stores V&D from Maxeda. The aim of Maxeda is to have a healthy, profitable grow in its business process. Another point that Maxeda distinguish itself from other fashion brands is that they have a broad target group and also have broad measurements differentiating from small sizes to big sizes.

BRAND CONTROL

Ranking retail store
The name Maxeda isn’t that well known yet in the Netherlands by its consumers. During the questionnaire, in which you can see the results in appendix VII, a result was that if we change the name Maxeda to the names of its main formulas, like Hunkemöller, V&D and M&S we can see that the participants were more familiar with the names. So Maxeda is still not very well known by its consumers in the Netherlands. The name Maxeda had been established too recent so not that many people in the Netherlands know about it. If we look at the top 100 retail formulas of Locatus we can see that Hunkemöller is placed at the top 46 based on their number of distribution stores in the Netherlands. M&S is placed at the 87th place, but still in the top 100. With this we see that Maxeda still have a better place in comparison with H&M and shows that Maxeda has a strong basis in its home market, the Netherlands.

Store outlet
Hunkemöller has some criteria’s for their outlets stores. First the entrance of Hunkemöller is always in the middle and the façade always strives to be as transparent as possible with some advertisements that are placed behind the transparent façade. Above the entrance you will see the name board with Hunkemöller written on it. In most times Hunkemöller works with the colors white, accompanied with black or red. When choosing an outlet stores some hard criteria’s are available. First after looking for the right location they will look at the floor space. On average they will look for Hunkemöller about the 120-170m² floors pace and for M&S about 180-220m². The width of the façade of Hunkemöller will be around the 6 meters and of M&S more than 6 meter. After this they will look at the form of the store if there are not some weird angles and if there are not too many height differences in the store. If we look at the façade of the M&S stores we can see that almost the same criteria’s can be used. The entrance will always be in the center and they strive to use a transparent façade with a lot of glass. Above the entrance you can see the board with M&S on it, mostly in blue. The colors they use for M&S are mostly blue accompanied with white or black. In the façade of both M&S and Hunkemöller we will also often see mannequins with the latest fashion products of the stores.
For both the fashion chains Hunkemöller and M&S they use more warm colors and lightning in the design for the interior of the shops. The formats of the shops they have are also less large than the fashion chains of H&M. That is why the stores are in general more comfortable designed for the customers and they feel more at home. The colors that are used are neutral and warm, like white and beige. The customers will feel more at ease with a comfortable atmosphere. Personal advice will be given if customers want. Also the dressing rooms in these two chains are in general cozier and wider than in other fashion stores. Furniture is put in here and there so that customers can comfortable look at the products.
Table 4.1 store aspects Hunkemöller and M&S

<table>
<thead>
<tr>
<th></th>
<th>Hunkemöller</th>
<th>M&amp;S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Façade</td>
<td>Glass façade, entrance in the middle</td>
<td>Glass façade, entrance in the middle</td>
</tr>
<tr>
<td>Routing</td>
<td>Linear</td>
<td>Linear</td>
</tr>
<tr>
<td>Parking facilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Scale</td>
<td>120-170m²</td>
<td>180-220m²</td>
</tr>
<tr>
<td>Lightning</td>
<td>Well finished off lightning in the ceilings</td>
<td>Well finished off lightning in the ceilings and some soft spotlights.</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>Comfortable, specialized shop</td>
<td>Comfortable, cozy</td>
</tr>
<tr>
<td>Material/ color</td>
<td>Warm colors</td>
<td>Warm colors</td>
</tr>
</tbody>
</table>

Product
If we look at the products of both Hunkemöller and M&S we will see that they are famous for their broad range in sizes with the same prizes. So people with different sizes can both find something in these stores, that is why these stores attract a broad target group. In this case despite the names of the stores selves the broad assortments of products also participated in creating the brand of the stores.

ADAPTATION
Maxeda has taken measures to adapt to the changing markets in several ways. If we look at the question if in the product level certain measures have been taken to adapt to the market the answer is yes. In an interview with Otto van den Boogaard48, director of real estate of Maxeda, he mentioned that the product collection of Hunkemöller and M&S has been slightly adapted in the following ways when entering a new market. First the introduction of the seasons collections are in slightly different times, because of the change in climate in foreign countries the time of introduction of the summer collection can be for example introduced a few months earlier. Especially if we compare Spain with the Netherlands. Secondly the collections of the seasons are slightly different, for Hunkemöller the change in seasons is of less relevance in comparison with M&S because for underwear it is less compliant. Also small difference in the colors can be adjusted in the collection to suit the culture of the country more. But nonetheless the overall collection is the same and small changes will only be made in the scope of measurements, colors and mix in collections. In Hunkemöller and M&S it is all

48 Otto van den Boogaard, Director of real estate Maxeda, interview on 9 February 2010
about the balanced mix between the basic, never out of stock collection, and the fashion collections. The mix between them can slightly change per country.

If we look at the firm level Maxeda operates in such a way that it operates from its main office. The main office manages the central acquisition and design and manages the small main offices in the countries they operate in. They use the same distribution canals in all their countries. In all the countries where Maxeda operates in Europe all the real estate are from acquisition, only in the countries outside Europe where they know less about the market they will use what they call secondary franchising, so that they will work together with a partner that knows more about the market. In this way they have more expertise to adapt to the new market.

Maxeda has also had their shops in ownership, but due to strategic reasons they have sold a part of their portfolio and rented it back instead. Now all the subsidiaries of Maxeda, including the fashion formulas Hunkemöller and M&S are rented back. Maxeda operates in contrary with the other case studies more in the financial perspective in the short term. This means that for Maxeda making profit in the short term is more important than achieving a worldwide domination and brand awareness. Consequences of this is the change in situation from ownership to renting back the properties. For Maxeda it was back them a profitable decision made that could earn them more money in the short term. However we have to take into account that this will mean more costs in the future, because of the monthly rents. The revenues gained from selling off the properties are invested in the business process. Due to the change in situation both Hunkemöller and M&S have put their focus on optimized capital spend, which includes investing wisely. Maxeda focus on high return and shorter payback projects whilst maintaining their strategic growth plans. From the revenues gained of selling the properties a part is also used to pay off the debts of the company. Consequences of this change in situation has led to monthly more cost for the fashion chains Hunkemöller and M&S due to rent, also their income has decreased due to the monthly rent they have to give now.

**SCALE AND SCOPE**

If we look at the top 100 retail formulas published by Locatus on November 2009 we can see that Hunkemöller is placed at the top 46 based on their number of distribution stores in the Netherlands. M&S is placed at the 87th place, but still in the top 100. If we look at the top 100 based on their floor space we cannot find Hunkemöller or M&S in the top 100. With this list we can conclude that their floor space is less than 32.863 m². From this can be concluded that Hunkemöller and M&S is placed lower than Ahold based on their number of distribution stores and floor space. Especially if we look at floor space we can conclude that Maxeda focus less on the scale and scope aspect of their stores. This is mainly because the stores Hunkemöller and M&S operate more in specialized retailing and focus on underwear and fashion and whereas Ahold focus on food sector with its broad assortment. To stall all the food assortment it is logical that Ahold needs a bigger floors pace. Also Ahold has a larger target group, that is why it has a broad scope and needs a lot of distribution stores in comparison with Maxeda.

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Location
Both Hunkemöller and M&S can be found in busy shopping streets and districts of city centers. They are located in A location alongside other well known brand stores. An A1 location is the main shopping area of a city. In other words the main shopping streets with the most known shopping formulas present. The fun shopping here is thoroughly present. Hunkemöller has more shops in the Netherlands in comparison with M&S and can almost be found in every city in the Netherlands.

Opening hours
The opening hours of the stores Hunkemöller and M&S depends extremely on the cities they are located. For example in Leiden Hunkemöller is opened on Monday from 13.00-18.00, Tuesday, Wednesday and Friday from 09.30-18.00. On Thursday they have expanded opening hours till 21.00 because all the stores in the city are open till 21.00 on Thursday. On Saturday they are open from 09.30-17.00 and on Sunday they are closed. If we look at Eindhoven Hunkemöller is open from 13.00-18.00 on Monday. From Tuesday till Thursday they are open from 10.00-18.00. On Friday they are open from 10.00-21.00 and on Saturday from 10.00-17.30. On Sunday they are also closed. So the opening hours can differ a little bit to adjust to the city center they are located in. But in most cases they are closed on Monday morning and have once a week en expanded evening hours till 21.00 o’clock and are closed on Sunday. In some places however like Rotterdam they are also open on Sunday because the whole city center is open in these cities. So Maxeda adjust their opening hours based on the cities they are located in.

Target group
The target group of both Hunkemöller and M&S lies in the woman sector. For Hunkemöller who is one of the biggest international special product formulas for lingerie, sleepwear and swimwear in Europe they focus on all women who wear lingerie, sleepwear and swimwear. From girls who are around the age of needing lingerie till woman of an older age group. Hunkemöller is mainly focusing on Benelux as his target market. For M&S on the other hand they mainly focus on woman above the 35 years. The extensive custom series, measurement 36 till 54, are all evenly priced. Their market is mainly in Europe.

BUSINESS PROCESS
The rapidity of a firm in which it reacts to the changes in the market is an important factor during the internationalization process. With this I mean especially the speed of the production process to change the collection when the market asks for it. During an interview with Otto van den Boogaard50, director real estate of Maxeda, I asked the question how much time they need to change their collection when there is a need. He answered that in average the collection will change between the 4-6 weeks. For them it is important to have a balanced mix between their collections. Roughly sketched in the retail formulas Hunkemöller and M&S there are two sort of collection. First is the basic collection that doesn’t needs to be changed every month and secondly the fashion collection that introduces from time to time new products on the market. The latter collection will be changed more often and will be at the most every 2 weeks.

If we look at the number of middlemen between the design process and the distribution phase Hunkemöller and M&S tends to have a direct relationship between the designers and the distributers making the process shorter. There are no other middlemen involved in the process.

50 Otto van den Boogaard, Director of real estate Maxeda, interview on 9 February 2010
4.6 Results of real estate strategy

If we look at the real estate strategy of Maxeda during the internationalization process and mainly the shop formulas Hunkemöller and M&S we know that their home market is in the Netherlands. For Hunkemöller their second market is German and for M&S France. To strive for the business processes and real estate to be managed operationally Maxeda has mainly expanded to countries that are geographical near and have similar economic and cultural conditions. So Maxeda expand to countries with markets which are comparable. This is mainly because they have more knowledge about them and a comparable collection can be used without too many changes. So their strategy is to expand to countries who have more or less the same market conditions and who are geographically near so that the least adaptations in the collection needs to be done and business processes can be managed operationally. Most of the shops are owned by Maxeda themselves in the past, only in the United States and other countries outside Europe they use secondary franchising like joint-venture. In recent years Maxeda has however sold their properties and rented back the stores themselves.

Maxeda has their focus on their strong supply side, favorable location and layout of the shop instead on the scale and scope aspects as in the case with Ahold. Their strategy is not in the number and scale of the shops but mainly in their product, location and shop image. They distinguish themselves among other fashion stores in their product. M&S has an extensive custom series, measurement 36 till 54, which are all evenly priced. Not that many fashion stores use this as the main concept, because they usually focus on a more specialized target group. Hunkemöller distinguish itself with its specialized assortment in products in lingerie, sleepwear and swimwear. Hunkemöller and M&S have a strong base in its domestic market. They also have a strong base in the Netherlands.

Maxeda is a vertical organization. They have a central management department that deals with the design and distribution. The stores appearances are also decided centrally. So every shop has more or less the same appearance so that people can recognize them. Maxeda strives to keep the original name of the shop formulas in other countries, but when market research shows that there is a need to change it they will do it, like changing the name Hunkemöller, which has a more German origin into the name Boutique when entering the Spanish market. Besides the change in name the store design and product collection stays the same. The collection of M&S and Hunkemöller consists of a mix between a basic collection that is never out of stock and a fashion line that change every two weeks. When entering new markets Hunkemöller and M&S uses the same collection more or less with only slight changes in the colors, sizes and the time of introducing the new campaigns.

Maxeda has a focus on innovation. In the last years Maxeda has introduced new shop concepts like the concept “Shops in Shops” were shops from the fashion department works together with the department stores the Bijenkorf and V&D. In this concept some places are reserved inside the department stores for Hunkemöller and products of M&S. In this way the range of the products of the fashion department can be expanded and people can visit these places inside the Bijenkorf and V&D.

When entering a new market Maxeda uses a cluster strategy. For example when they enter Spain they first concentrated in three main clusters, Barcelona, Madrid and Venezuela. That is where their
strategic focus is. They will first strengthen the brand in the country then manage the business process and at last the distribution.

For future internationalization strategies Maxeda will mainly concentrate in growing in their own markets and second markets and use innovative concept as shops in shops. At the same time they will look for opportunities for new markets.

For Maxeda when deciding to internationalize several factors are important. Advantages and disadvantages needs to be considered. If we look at Dunning’s theory in chapter 2.3 there are three aspects that need to be taken into account. These are ownership advantages, internationalization advantages and locational advantages.

Krumm (2002) distinguish and examine the influence on four real estate strategies en on the financial prestation of the companies. These four are:

1. The company has their real estate in ownership. On the balance-sheet the real estate is noted on the left side as the book value. On the right side of the balance-sheet the debts as a consequence of the financing of the real estate is noted. On the loss- and profit account the depreciation-, maintenance-, interest’s costs of the real estate are stated.

2. The company decides to sell a part (25%) of its real estate portfolio to decrease the debts of the company with its revenues with the assumptions that an efficient space usage will make a quarter of the real estate unnecessary. With the revenues gained from the transact money the company will pay off a part of its debt.

3. The whole real estate portfolio will be sold to a real estate investor. Where after the company stays the user through sale and lease back. The company gives away its ownership. The costs which were caused by the ownership are now replaced by lease costs. Krumm assumes that the rent is approximately equal with 10% of the book value of its real estate. The transact money will be used to pay off the debts of the company.

4. This variant is the same as the one before with as difference that the revenues gained from the transact money will not be used to pay of the debts of the company, but to invest in the primary business activities.

Maxeda has a real estate strategy that belongs more to the fourth variant. Maxeda has several shop formulas that has been put to sell. The reason however that led to the decision to sell the property lays more in the philosophy of the company. Maxeda is an umbrella organization that has acquired several shopping formulas during the years. These also included Hema that later on were sold to the British investment company Lion Capital. During the years several acquisitions had taken place and Maxeda has changed from investment companies to companies. The latest investor in Maxeda was VDXK Acquisition BV. The name was changed in Maxeda to mark a new company philosophy. With their history we can see that Maxeda is not a family business that has grown gradually, but mainly an investment company that looks for opportunities to acquire potential formulas. If the opportunities exists for Maxeda to sell their shopping formulas for an profitable price they will do it. In comparison with the other case studies Ahold, Inditex-Zara and H&M, Maxeda operates more from the financial perspective. In the last years Maxeda has also announced that their formulas like V&D, Hunkemöller

and M&S were offered to sell to potential investors. With this Maxeda has announced that they will seek the fourth real estate strategy mentioned by Krumm. They will give away their ownership and with the revenues gained from the transact money they will use it to invest in the primary business activities. Due to the change in situation both Hunkemöller and M&S have put their focus on optimized capital spend, which includes investing wisely. Maxeda should focus on high return and shorter payback projects whilst maintaining their strategic growth plans. Consequences are however that Maxeda will have a different cash flow. Maxeda will have more monthly costs due to the leasing. Despite this both the fashion chains Hunkemöller and M&S have a strong market position and have shown good financial performances during the economic downturn. Maxeda is convinced that the two fashion chains are ready for a next step in their development. Maxeda has said that they are looking into a new strategic reorientation of the fashion chains. The strategic reorientation has as a goal to look at options which is the best to facilitate the fashion chains. The reorientation of Maxeda can led to the sale of Maxeda fashion chains.

4.7 Conclusions

Now if we summarize the main points researched in the case of Maxeda and look at the main points discovered on the five research variables, which are also the five success factors of internationalization strategies of retailers some main points can be said. This main point can be seen table 4.2.

Maxeda has a focus in innovation. New concepts are introduced in the markets. The most noticeable on is the concepts “Shops in Shops” were for example products of Hunkemöller are sold in the department stores of Maxeda. In these department stores some areas are reserved for Hunkemöller. It is like you can find their stores inside the departments’ stores. Maxeda is open for new ideas and if it’s worth to try they will introduce new concepts in the market.

On the aspect brand control the name Maxeda isn’t that well known yet. Maxeda is more famous for its separate shopping formulas, like V&D, Hunkemöller, M&S etc. Maxeda is more an umbrella organization with the separate shopping formulas. The shopping formulas of Maxeda has a strong base in their domestic markets and is more well known in the countries German, the Netherlands, Denmark, Belgium, France and Spain. Hunkemöller and M&S have their own central shop design. Hunkemöller and M&S are both famous by its products. Hunkemöller specialize in underwear garments and M&S by its broad range in sizes which are all evenly prized.

If we look at the adaptation in other countries Maxeda tends to expand to countries were they have to adapt the least. They expand to countries with the same social, cultural and economical conditions so that only slight changes to their collection have to be made. These slight changes include slightly different timing of introducing the campaigns because of the difference in seasons, different colors or sizes in the collection etc. Because they expand to countries with more or less the same social,

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cultural and economical conditions and who are geographical near their domestic market they can have a central design and distribution system. The main entry mode of Maxeda is through acquisition and international franchising to cope with the lack in knowledge.

Maxeda has less focus on scale and scope if we compare it with the other case studies. Fashion formulas of Maxeda have a dominant position in their domestic market, but if we look at the number and size of the stores they still aren’t the dominant ones, but nonetheless they have a dominant brand name in their countries. Stores from Maxeda are more locally known and don’t have an international presence yet. This is mainly the cause that they have expanded in Europe to more similar countries like their domestic market. Most of the stores can be found in A1 locations in busy shopping streets. The A1 location is the location in a shopping centre of a city, which is located in the best course were people walk. On these locations the number of passersby is the most and the rents of these shops are higher.

The collection of both Hunkemöller and M&S consists of two product collections. The first is the basic collection that is never out of stock and a fashion collection that change more often. Hunkemöller and M&S tends to have a direct relationship between the designers and the distributors making the process shorter.

<table>
<thead>
<tr>
<th>Table 4.2 Main points research variables Maxeda</th>
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<tr>
<td>Maxeda</td>
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<tr>
<td>Innovation - New concepts “Shop in Shops”.</td>
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<tr>
<td>Brand control - Strong basis in domestic market.</td>
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<tr>
<td>- Name Maxeda is not very well known.</td>
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<tr>
<td>- Central shop design.</td>
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<td>- Broad range in sizes with the same prizes.</td>
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<tr>
<td>Adaptation - Slightly changes product collection in foreign countries.</td>
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<tr>
<td>- Central acquisition and design.</td>
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<tr>
<td>- International franchising to cope with the lack in knowledge.</td>
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<tr>
<td>Scale and scope - Less focus on the scale and scope of their stores.</td>
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<tr>
<td>- More specialized chain and focus on underwear and fashion and whereas</td>
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<tr>
<td>- A1 locations (busy shopping streets)</td>
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<tr>
<td>- Broadening opening hours and broad target group.</td>
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<tr>
<td>Business process - Basic and fashion collection</td>
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<tr>
<td>- Basic collection will be changed every 4-6 weeks.</td>
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<td>- Fashion collection average every 2 weeks.</td>
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<tr>
<td>- Hunkemöller and M&amp;S tends to have a direct relationship between the designers and the distributors making the process shorter.</td>
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Looking at the theoretical framework discussed in chapter 2 some main points in this case study can be explained. Maxeda belongs to the cluster “Emboldened Internationalists” in the model of Treatgold. In chapter 2 it was already told that the “Emboldened Internationalists” operates more in the general retailing and or luxury products, see figure 2.4. Maxeda is a case that can be located in either one. They have more a general collection specialized in the luxury fashion branch. But however Maxeda has besides a fashion collection also a basic collection. This is maybe one of the reasons why Maxeda have less focus on adaptation and faster operation than Inditex-Zara and H&M
who belongs more to the “Aggressive Internationalists” and has a more trend sensitive collection that needs to be adapted constantly.

The “Emboldened Internationalists” also have a more dispersed geographical spread instead of a multinational geographical spread as that of the “Aggressive Internationalists”. That is maybe also one of the reasons why Maxeda from the “Emboldened Internationalists” have a stronger focus and basis in their domestic market.

4.8 Reflection

Maxeda has expanded into several markets in Europe. For the fashion store Hunkemöller their main markets are in Germany and the Netherlands and for M&S the Netherlands and France. If we look at their number of stores in their foreign markets we can conclude that Spain is at this moment the smallest market. In Spain there are only 9 stores in total compared with 298 fashion stores in the Netherlands, 136 fashion stores in Germany and 155 fashion stores in France. Spain is a big market in comparison with the others existing markets, but is has yet to be conquered. In this expect Maxeda still needs to do a lot to establish a basis in this market. The fashion branch in Spain is dominated with local brands and they have different fashion trends there than in the Netherlands. Also the fashion stores of Maxeda, Hunkemöller and M&S aren’t that known yet in Spain. For these reasons it is difficult to enter a new market like Spain.

The decision to enter Spain was a little bit rushed. The basis in the market was too small, they weren’t locally known yet and had too much competitors. Admittedly Maxeda has done a lot of research in this market and have taken a lot of measures to enter this market, like changing the name Hunkemöller that has more a German origin into the name Boutique and making advertisements in the local media etc. but still their stores weren’t as known yet as their other competitors. For the coming years Maxeda should focus on increasing their basis in Spain. They have already entered the market which was the hardest part. For the coming period they should look for more appropriate real estate assets and increase their scale and number in this market. Also they should do more market research and adapt their fashion collection to meet the requirements of their customers. Some more advertisements should be done to increase their brand name. Maxeda’s expansion strategy is a bit cautious, meaning that they take steps slowly in their internationalization activities. They slowly increase their properties in the foreign markets, but for entering a new market it takes more time. For Maxeda this is probably the best position they can take, because of their relatively unknown brand in the foreign countries. Spain is an example that shows Maxeda’s tough internationalization attempt.

Trends that Maxeda should adapt in their business process are for example more use of the internet. Internet is a distribution channel that is becoming more and more widely used. Both Hunkemöller and M&S have already introduced the internet shops in most of the markets they entered. Only M&S don’t have internet shops in Germany and Spain yet and Hunkemöller only in Spain. In the future if Maxeda grows more in these markets there exists opportunities in expanding their internet shops. Pitfalls that Maxeda should avoid are too less adaptation in their collection. They change their collection after a regular period of time, but not much attention are given to their collection. Their collection stays too long a period the same. A consequence of this is that customers become less interested in the collection. They should put more focus on the fashion trends and design more different campaign and collection every year so that the collection stays interesting for their customers. M&S and Hunkemöller both also offer big sizes and this is also one of the reasons that they have a target group consisting of people with big sizes and these people will also want to have a trend sensitive collection that they can fit. Another point is more advertisement needs to be given to
the introduction of these new collections so that people now that there are new products in the stores. They can achieve this with the window display and also other means like the media, televisions, wall papers etc.
5. Inditex-Zara

The Inditex Group is a large Spanish corporation and of the world’s largest fashion groups. It is made up of almost a hundred companies dealing with activities related to textile design, production and distribution. Inditex-Zara runs over 2010 stores worldwide and is the owner of brands such as Zara, Massimo Dutti, Lefties, Bershka, Oysho, Pull & Bear, Zara Home and Stradivarius. Most stores are corporately own, and franchise is only given in areas where corporate properties cannot be bought (as in the Middle East).\(^{54}\)

5.1 Historical background

Until its flotation in May 2001, Zara was a secretive, family-owned firm locates in Galicia, a peripheral region in north-west Spain. This geographical location helped to keep Zara from the public eyes, as did the reclusive, publicity-shy stance of the company founder Amancio Ortega Gaona. The cancellation of an export led to an unplanned diversification into retailing in May 1975 with the opening of the first Zara store in La Caruna. Originally a lingerie store, the product range expanded to incorporate woman’s fashion, menswear and children clothes. A decade later Inditex-Zara was created as a holding company to manage the growing business.

The international adventure began in 1988, with the short move from Galicia into Oporto, Portugal, and the formation of a subsidiary company, Zara BV, in the Netherlands to oversee retail internationalization. The Portuguese store was followed a year later by outlets in New York and Paris. However, international expansion was steady rather than spectacular until the late 1990s when Inditex-Zara, through Zara and its other retail chains, exploded onto the world stage. In 1996 Inditex-Zara operated 142 international stores in ten countries and by January 2004 the number of countries had more than quadrupled.

The Inditex-Zara portfolio expanded through a combination of internal brand development and acquisition during the 1990s. Acquisition has added the Massimo Dutti (1996) and Stradivarius (2000) brands, while Pull & Bear (1991), Bershka (1998) and Oysho (2001) have been developed by Inditex-Zara. Over the last decade other sub brands such as Kiddy’s Class, Bretto’s, N&B and Lefties have been trialed but most of these are now found as concessionary brands within Zara outlets, with the

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exception of Kiddy’s Class which is now being rolled out as a store brand. The most recent addition to the portfolio is the Zara Home concept that appeared in 2003.

5.2 Aggressive internationalist

Inditex-Zara is an aggressive internationalist, because they have reached the multinational level of geographical spread. Inditex-Zara has a higher level of geographical spread compared to H&M. They have expanded into five continents, Europe, America, Middle East and Asia-Pacific and Africa, and expanded into 73 markets in total. In a few years time between 2003 and 2009 they have entered in a lot of new countries. With this number their multinational presence is proven and also their position as market leader. With their high investments on their entry and operating strategy they belong to the cluster “Aggressive Internationalists” in the model of Treatgold. Their corporate ambition of achieving a prominent international presence has also been realized that was a criterion for the cluster Aggressive Internationalist.

5.3 Concept

The 1998 Annual Report defined the principles of Inditex-Zara as: ‘creativity, painstaking design, innovation, fast response to the market, special attention paid to the interior of the shops and flexible management.’ Zara’s success has been built around business process re-engineering, with the company seemingly breaking all the established rules within apparel retailing. The core competence is the implementation of rapid reaction, just-in-time principles in the fashion industry. In the annual report of 2008 these principles are translated in their own Inditex-Zara business model. The five key elements in this model are customer, store, design/production, logistics and teams. But the key concept of Inditex-Zara is still the time factor. Inditex-Zara prioritizes time over productions costs, thereby reducing the risk involved when manufacturing takes place far from the decision-making centers.

“For Inditex-Zara, time is the main factor to be considered, above and beyond production costs. Vertical integration allows us to shorten turnaround times and achieve greater flexibility, by reducing stock to a minimum and diminishing fashion risk to the greatest possible extent.” (Zara Press Dossier 2004)

Inditex-Zara has developed and implemented systems and processes that allow customer demand for up-to-date, design-based fashions to be brought to the market with lead times dramatically shorter than the industry norm. The design, production, to market cycle has been reduced to 22-30
days, in an industry where nine months was the traditional lead time. This cycle is made up of 1 day for final design, 3-8 days for manufacture, 1 day for transport, and 17-20 days for selling. The production pipeline can be turned on or off as the market indicates, as José Maria Castellano (the former CEO) comments; ‘We have the ability to scrap an entire production line overnight if it is not selling’. Cristopher (1998) also suggest that production is deliberately planned for a level slightly below projected sales opting for a strategy of under supply rather than over supply and obsolete stock. This approach allows a closer alignment of production to sales forecast, reducing the need to clear unwanted stock. It is claimed that Zara retails 85 percent of its stock at full price, compared to the industry norm of 60-70 percent.

At the retail end of the concept, continuous replenishment and the regular introduction of new lines encourage customers to return to the stores and increases footfall. Observers claim that over a two-week period around 70 percent of merchandise in the stores will have changed. Furthermore, the continental change of stock encourages customers to purchase when they visit, rather than delay their purchase. Director Luis Blanc says; ‘We want our customers to understand that if they like something, they must buy it now, because it won’t be in the shops the following week. It is all about creating a climate of scarcity and opportunity.’(Crawford 2000b) Consequently, items are only available within the store for a four-week period. Flexibility in supply and the ‘fast fashion’ approach also provides some protection against other suppliers copying Zara products. By the time competitors respond the item may already be out of Zara range.

A further difference from traditional behavior within fashion retailing is the very low spend on marketing. Inditex-Zara does not have a formal marketing department and Zara neither advertises, nor supplies samples to magazine photo shoots. Publicity and communication is ‘mouth to ear’. Product is showcased through stores located on prime sites.

5.4 Shop formulas

All the retail chains within Inditex-Zara portfolio operate autonomously as semi-independent businesses. Each chain has its own management team with no cross-integration between formats, although a range of support functions is provided by the corporate headquarters (e.g. IT, legal, accounting and real estate). Currently Inditex-Zara operates eight brands, whose positioning and target market can be gleaned from the website and company documentation:

- **Zara** – ‘dressing ideas, trends and tastes’
  The flagship brand, launched in 1975 and moved international to Oporto (Portugal) in December 1988, followed by Paris (France) and New York (US) in 1989. Originally aimed at the mass-market, fashionable woman’s wear segment, a menswear range has since been added. The value of the brand is defined by the Inditex-Zara website as:

  “ZARA is in step with society, dressing the ideas, trends and tastes that society itself has created. This is the key to its success among people, cultures and generations that, despite their differences, all share a special feeling for fashion.”

- **Pull & Bear** – ‘a way of life’
  Launched by Inditex-Zara in 1991 and introduced into Portugal in 1994. Originally positioned below Massimo Dutti to provide ‘basic apparel for the young urban man’ in the 14 to 28 age

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56 Zara 2009[online], the company, Available at: www.zara.com [Accessed on 27 February]
group. A woman’s wear range was added in 1998 and over time the brand has evolved to focus on casual and urban fashion. The chain now retails men’s and woman’s wear, accessories, perfume and home décor. The brand concept is expressed through the store:

“For them, Pull and Bear is not just a store anymore. The wide range of clothes, accessories and cosmetics available is complemented by a number of added services: from good music to video images, from a cup of coffee to videogames areas, from the XDYE Magazine to the web site. All this in order to make a shop, clothing, a brand into a whole way of life.”

- **Massimo Dutti – ‘fashion and quality’**
  This is the first of Inditex-Zara’s acquired brands. Founded in Barcelona in 1985 as a menswear chain, Inditex-Zara acquired a 51 per cent stake in COFIR (which, in turn, owned 72 per cent of Massimo Dutti) in 1991. Full control was achieved in March 1996. With a target market of Urban, independent and cosmopolitan men and woman in the age of 25-45 age range, Massimo Dutti offers traditional styles updated by new fabrics. The offer is defined as high-quality clothing at affordable prices for the modern urban customer, sold in shops that are characterized by a ‘subdued and studied atmosphere’ offering comfort.

- **Bershka – ‘not just a product, more an attitude’**
  Launched in April 1998 as ‘trendy fashion for the urban young girl’, Bershka opened in Portugal and Cyprus in the same year. The Bershka concept is aimed at the younger female market (13-23 age group) and in keeping with the lifestyle theme running through the Inditex-Zara brands, the store format is where ‘the shopping experience turns into a socio-cultural immersion into youth aesthetics of the new century’. This is achieved through large, spacious stores designed to create a modern, urban and fun environment – ‘a meeting place for fashion, music and street art’. In the winter 2002 season, Bershka added a menswear collection.

- **Stradivarius – ‘always the latest trends’**
  Inditex-Zara’s second acquisition. Originally founded in 1983 as a competitor to Zara, Inditex-Zara acquired 90.5 per cent of the Barcelona-based chain from Pigaro 2100 in November 1999. At acquisition Stradivarius had 75 stores and was already present internationally in France, Portugal and Taiwan. The chain targets young woman in the 15-25 age bracket. Spacious stores provide a young, dynamic atmosphere, with a strong emphasis on providing latest fashion trends in design, fabrics and accessories. The product range is positioned at a slightly higher quality and price point than Bershka.

- **Oysho**
  The most recent clothing chain, launched in September 2001. Oysho brings the Inditex-Zara principles to the lingerie category, and is targeted at the Zara customer base. The offer compromises high-quality, fashionable lingerie, informal home wear and swimwear at attractive prices. Designed to be an international concept at its birth, by the end of 2001 the chain had 34 outlets in 7 countries and 76 in 8 countries at the end of 2004. Stores are larger than average for the sector and are either stand-alone or distinct spaces in other group outlets.

- **Uterqüe**
  Uterqüe, the newest Inditex Group retailer, sells accessories, fashion extras and a carefully-chosen selection of top-quality fabric and leather garments. Its collections, which are 100-percent designed by the Uterqüe creative team, mix the latest catwalk trends with the retailer’s unique merchandise. The appearance of the stores, which total 50 outlets in Spain, Portugal,
Greece, Belgium, Qatar and Kuwait, is elegant and sophisticated. Interiors are designed to be functional and offer shoppers the last word in comfort. New merchandise is constantly delivered to Uterqüe stores in an irresistible combination of high quality at an attractive price.\(^{38}\)

5.5 Research variables on Inditex-Zara

INNOVATION

Inditex-Zara has said in its annual report that they have the desire for innovation and constant improvement. It is the motivating idea which has guided them up to the present time. Because of this desire for innovation and constant improvement several shop formulas has been introduced. This desire for innovation leads to the approach 21st century society with a vision of the future which, with its basis in the diversity of components and scenarios forming the company, continues to drive them to face the challenges of the ever-more global society of which we are a part.

BRAND CONTROL

Ranking retail store

The shop formulas of Inditex-Zara aren’t that well known in the Netherlands. Only Zara is better known in the Netherlands and they can only be found in the big cities. The home market of Inditex-Zara is in Spain and it is more known there. On the other hand Zara is only known here mostly by the females. In Netherlands only 3 shop formulas of Inditex-Zara have expanded in the Netherlands. These are Zara, Bershka and Zara Home. In total there are only 15 Zara stores, 7 Bershka stores and 1 Zara Home store in the Netherlands in total. This isn’t much if we know that the Netherlands only have 21 cities which are considered the big cities with more than 100,000 inhabitants. This means that not all the big cities will have a Zara store let alone the smaller ones. If we look at the results of the questionnaire in appendix VII we can also see that Inditex-Zara is less known than the other three case studies. Inditex-Zara can also not be found in the top 100 retail formulas list of Locatus. We can hereby conclude that Inditex-Zara is less known as a brand in the Netherlands compared with Ahold, Maxeda and H&M.

Store outlets

Inditex-Zara has eight shop formulas with each their own style of set-up and façade. If we look at the main shop formula Zara, a famous fashions brand, we can see that the façade consists out a lot of glass. In the façade some billboards can be seen with the latest advertisements. Zara mainly uses the colors black and white and sometimes red in their advertisements. Above the entrance Zara can be seen as white letters, sometimes they also use white light behind the letters to attract some more attention. The stores of Zara have an average floor space of 1700m\(^2\).

Some other shop formulas I will elaborate shortly on are the façades of Zara home, Bershka and Oysho. Each have a target group that slightly differs and its own style of façade design. If we look at Zara home for example it has a neutral appearance with white as its main color. Its façade is less broad than the stores of Zara and it also uses a lot of glass. In the façade some house furniture will be shown. The entrance is in the middle with its name board above in a slightly green color.

Bershka is more targeted to the young urban girls and boys. Their image is less formal and neutral as Zara. They use Orange and black as their main color. The façade is transparent with the use of a lot of glass. In the façade advertisements can be seen. In the store the set-up is also less organized than Zara and they play more pop music inside the stores in comparison with the other formulas.
Oysho has a smaller floorspace in comparison with Zara and Bershka, around the 250 m². This is mainly because this only offers the lingerie collection of Inditex-Zara. The façade is really small and can often only accommodate the main entrance of the store. The store uses black and white as its main colors and Oysho is written with small letters. Another point that is interesting is that the small shops of Inditex-Zara, like Oysho and Zara-Home can often be found in the neighborhood of its main shop formulas like Zara and Bershka.

As you can see each shop formula of Inditex-Zara has its own central shop design. The advertisements and façade are all centrally decided upon. However Inditex-Zara have a strong focus on window display, because they think that the window display which you can see in the busy
shopping streets are the most effective advertisements you can have. This is also their only advertisement mean, because Inditex-Zara does not invest in advertisements in the media. So Inditex-Zara gives a lot of focus to display an attractive window display that stimulates and reacts to the consumers and the latest trends. Inditex-Zara also gives their stores some freedom to adjust their window display and interior to the local demand. So after every working day it can be that slight changes can be made in the window display and showcasing the product collection so that every day consumers can feel something new that attracts them and have a different experience.

Interior store outlets
Each of Inditex-Zara separate brand formulas has its own interior store design. If we look at the interior of Zara the first impression you get is a chic and composedly environment. The floor and ceiling has a neutral color and for the rest all furniture is of a chic black color. The lightning are all very well finished off and collection very well structured. If we look at Bershka the interior is a lot different. The lightnings are brighter and the main colors used are black with dark red and orange. The whole interior of Bershka is black with in between some colorful game of spot lights. The first image you get from Bershka is more an urban, modern image. If we look at example at the newest brand formula Uterqüe from Inditex-Zara. Their interior is more chic and has an elegance atmosphere. The floor, ceiling and furniture are all black. In the store only careful lightning has been used to focus on the showcase of the products.

Figure 5.13 Cash desks Zara in the Hague. Photo: Su Jing Chung. Date: 03-06-2010
Figure 5.14 Interior men’s department Zara in the Hague. Photo: Su Jing Chung. Date: 03-06-2010. Description: 1) neutral floors and ceilings. 2) well structured and displayed fashion items. 3) built-in lightning in ceilings. 4) lightning used to display fashion items.

Figure 5.15 Cash desk Bershka in the Hague. Photo: Su Jing Chung. Date: 03-06-2010
Figure 5.16 Interior Bershka in the Hague. Photo: Su Jing Chung. Date: 03-06-2010. Description: 1) black color accompanied with red and orange as its main theme. 2) urban/modern image. 3) spotlights focused on the collection.
Table 5.1 Store aspects Zara, Bershka and Uterqüe

<table>
<thead>
<tr>
<th></th>
<th>Zara</th>
<th>Bershka</th>
<th>Uterqüe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Façade</td>
<td>Strongly present in its architectural design</td>
<td>Present in environment with its façade design</td>
<td>Elegant façade design</td>
</tr>
<tr>
<td>Routing</td>
<td>Open routing through several departments</td>
<td>Open routing</td>
<td>Open routing</td>
</tr>
<tr>
<td>Parking facilities</td>
<td>+1600m²</td>
<td>+1000m²</td>
<td>+125m²</td>
</tr>
<tr>
<td>Scale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lightning</td>
<td>Well finished off lightning in the ceilings</td>
<td>Well finished off lightning in the ceilings, bright lightning in contrast with the black interior, spot lights.</td>
<td>Well finished off lightning in the ceilings</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>Chic, structured, elegant</td>
<td>Urban, modern, latest fashion</td>
<td>Chic, elegant</td>
</tr>
<tr>
<td>Material/ color</td>
<td>Black furniture</td>
<td>Dark black interior, strong colorful spot lights</td>
<td>Dark black interior, black furniture</td>
</tr>
</tbody>
</table>

**Product**

The collection of Zara changes every two weeks therefore there is not a basic collection that the consumers strives after every time they go there. Consumers go there because of the changing collection. Every time they go there they will see a different collection, so that every time it is a different experience. If you see it in this way Zara is famous because of its changing collection and its binds customers to it in this way and this has become well known under the customers that this tactic can function as a mean to strengthen their brand. In order to get as close as possible to the customers’ demands, Inditex-Zara has eight commercial brands with different fashion offers. Zara, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

**ADAPTATION**

Inditex-Zara had introduced several shop formulas in the history to adapt to the changing needs of the customers and market. It also introduced several formulas because there was a market for it. If we take for example Bershka, this formula has more a focus on the urban youth in comparison with Zara. Oysho for example focus in his own way more on the clothing and lingerie. These formulas can mainly be found in Spain itself and has yet to be expanded to the Netherlands.

To adapt to the changing preferences of the customers the product collection of Inditex-Zara will change every two weeks and all the Inditex-Zara stores around the world receive new products twice.
a week and each shipment contains new products. As you can already read in the chapters before the production pipeline of Inditex-Zara can be turned on or off as the market indicates, as José Maria Castellano (the former CEO) comments; ‘We have the ability to scrap an entire production line overnight if it is not selling’.

Inditex-Zara has used acquisition as its main approach to increase their numbers of well-known brands and distribution networks. In some cases the brand acquired is a key player in another sector and only needs restyling to be adapted to the clothing market. The acquisition of Stradivarius is an example of this and makes it the fifth concept of the Group. Inditex-Zara opened stores in new countries: the Netherlands, Germany, Poland, Saudi Arabia, Bahrain, Canada, Brazil, Chile and Uruguay.

**SCALE AND SCOPE**

If we look at the top 100 retail formulas from Locatus we cannot find retail chains of Inditex-Zara in the top 100 of the Netherlands. This can be explained with several reasons. First the top 100 list consists of retail chains only in the Netherlands. Inditex-Zara has retail chains in the Netherlands but maybe on another scale if you compare it in Spain. Inditex-Zara is a Spanish fashion brand that has a lot of stores in Spain, but in the Netherlands the scale is much lower. In the Netherlands you can only find the chains Zara, Bershka and Zara Home while in comparison in Spain all the 8 chains can be found. To be precise in the Netherlands there are only 15 Zara shops, 7 Bershka shops and 1 Zara Home shop. So 23 shops in total. While in Spain there are in total 1.910 shops, shared among the 8 chains of Inditex-Zara. Also the Zara stores can only be found in big cities in the Netherlands. That is why the number of distribution stores is on the lower side and Zara cannot be found in the top 100 list based on the number of distribution stores in the Netherlands. On the other hand Zara also cannot be found in the top 100 list based on their floor space. This mean that their floors space on average is lower than 32.863 m². With this we can conclude that Inditex-Zara has a lower focus on scale and scope of their outlet stores in the Netherlands in comparison with Aldi and Maxeda. But if we look international, Inditex-Zara has the strongest focus on scale in scope around the world in comparison with the other three case studies, because Inditex-Zara has the most stores around the world, namely 4.264 stores in total around 73 countries. This is a point that we have to keep in mind.

**Location**

The stores of Inditex-Zara are only located in the best shopping locations in big cities, where Inditex-Zara can display their product collection and shops. Because Inditex-Zara only uses ‘mouth to ear’ communications they have more focus on the location of their shops. These shops are often eye catching with the use of their architecture and are located alongside other famous fashion brands in A1 locations. As said before A1 location is the main shopping area of a city with in general a higher rent price.

**Opening hours**

The opening hours of Zara are dependent on the cities where they are situated at. But it is more or less the same with Maxeda. They are closed on Monday morning and have once a week expanded opening hours in the evening till 21.00 and are closed on Sundays. Based on the cities however some cities are also open on Sunday like Rotterdam and Amsterdam. For example the opening hours in Rotterdam are on Monday from 12.00-18.00. Tuesday till Thursday 10.00-18.00, Friday 10.00-21.00 and Saturday and Sunday 09.30-18.00. Here you can even see that on Sunday they are even open a half hour earlier. With this you can see that there are a lot of potential costumers on Sunday in Rotterdam.
Target group

For Inditex-Zara each shop formulas has its own target group. In order to get as close as possible to the customers’ demands, Inditex-Zara has eight commercial brands with different fashion offers. For example Zara mainly focuses on woman who have a feeling for fashion. Pull & Bear focuses on both men and woman wear. Mainly young urban man’ in the 14 to 28 age group. A woman’s wear range was added in 1998 and over time the brand has evolved to focus on casual and urban fashion. The chain now retails men’s and woman’s wear, accessories, perfume and home décor. Massimato Dutti target the market of Urban, independent and cosmopolitan men and woman in the age of 25-45 age range, Massimo Dutti offers traditional styles updated by new fabrics. The offer is defined as high-quality clothing at affordable prices for the modern urban customer. The Bershka concept is aimed at the younger female market (13-23 age group) and in keeping with the lifestyle theme running through the Inditex-Zara brands. Stradivarius targets young woman in the 15-25 age bracket. It has a strong emphasis on providing latest fashion trends in design, fabrics and accessories. The product range is positioned at a slightly higher quality and price point than Bershka. This is the same with Uterque, who focus on the accessories. Oysho brings the Inditex-Zara principles to the lingerie category, and is targeted at the Zara customer base.

BUSINESS PROCESS

For Inditex-Zara the main focus is on a faster operation to outrun potential competitors and to set an example of the latest trends. As said before: “For Inditex-Zara, time is the main factor to be considered, above and beyond production costs. Vertical integration allows us to shorten turnaround times and achieve greater flexibility, by reducing stock to a minimum and diminishing fashion risk to the greatest possible extent.” (Zara Press Dossier 2004)

The design, production, to market cycle has been reduced to 22-30 days, in an industry where nine months was the traditional lead time. This cycle is made up of 1 day for final design, 3-8 days for manufacture, 1 day for transport, and 17-20 days for selling. The production pipeline can be turned on or off as the market indicates, as José Maria Castellano (the former CEO) comments; ‘We have the ability to scrap an entire production line overnight if it is not selling’. For obtaining this fast production line the number of middlemen is kept on a minimum and they are set with tight requirements to meet the sharp production process.

A distinctive feature of Zara’s business model, has allowed the company to successfully develop a strong merchandising strategy (Herreros). This strategy has led Zara to create a climate of scarcity and opportunity as well as a fast-fashion system. The five key elements to the business model of Inditex-Zara are customer, store, design/production, logistics and teams. The customer plays an
active role in the Inditex-Zara business model. Indeed, Inditex-Zara’s production activity begins once customers’ demand reactions have been analyzed. Unlike the traditional fashion company business model, which starts at the designer’s drawing table, Inditex-Zara’s activity starts in the customer’s mind and continues in the store, where their fashion demands are gathered and the process begins. The store concentrates the essence of Inditex-Zara’s activity. Its role in the business model is essential because it is both the meeting point between the customer and fashion and because it acts as a source of inspiration for the chains’ design and sales teams. Store elements like top locations, designed shop windows, interior/ exterior architectural design, appropriate coordination of garments and excellent customer care are important elements in this key aspect. If we look at key element design/production all the chains have their own design and sales teams that conceive the collections in their entirety. Their work is not affected by seasons, but is continuous and starts with information processed at the stores on customers’ desires and impressions. About the key element logistics the speed of the process continues into the production phase, thanks to the fact that a large part of production is carried out in factories belonging to the Group and at centers close to the corporate headquarters of each of the chains. The distribution process is designed with maximum flexibility and customer orientation which governs all the Group’s actions. The Inditex-Zara logistics system is designed so that the time between receiving the order in the distribution centre until delivery in the store is on average 24 hours for European stores and a maximum of 48 hours for America or Asia. The last key element in the business model is teams. If the customer is the driving force behind Inditex-Zara’s activity, the 89,112 professionals in the Group are the means by which our mission to meet customer demands is fulfilled. All employees, regardless of their proximity to the point of sale, share the same customer orientation, from those involved directly in the production process, such as designers, sales or logistics teams, to the professionals in corporate areas such as Human Resources, Systems or Finance, among others.  

Zara manufactures 60% of its own products. By owning its in-house production, Zara is able to be flexible in the variety, amount, and frequency of the new styles they produce. Also, 85% of this production is done through the season, which allows the chain to constantly provide its customer with much updated products.

5.6 Results of real estate strategy

The business process of Inditex-Zara has a strong focus on the time factor. Director Luis Blanc says; ‘We want our customers to understand that if they like something, they must buy it now, because it won’t be in the shops the following week. It is all about creating a climate of scarcity and opportunity.’ (Crawford 2000b) Consequently, items are only available within the store for a four-week period. Flexibility in supply and the ‘fast fashion’ approach also provides some protection against other suppliers copying Zara products. By the time competitors respond the item may already be out of Zara range. Their business model is flexible and all shop formulas use the same integrated business model. From design to manufacturing and sourcing to distribution and logistics to the store etc. Inditex-Zara is customer driven. It compels a mix of latest fashions and quality at affordable prices. It has a unique product strategy. It has about 20,000 new designs a year and it is delivered to the stores 2-6 times per week. It has a central distribution. It focus on daily customer interaction.

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daily in-store feedback allows constant modification of collection. Orders are in store after 24-48 hours.

Another point is that Inditex-Zara has several shop formulas each with a different target group. Each shop formula has its own collection, style of shop outlet etc. The combined markets they discover form its power and fill each other lack of scope. This is mainly the case in Spain, which is their home market. This multi-concept strategy increases the market segmentation through distinctive concepts. Each concept formula has its own independent management teams, but all share the same business management model. The business model of Inditex-Zara avoids the main fixed costs associated with international expansion. Main points in the internationalization strategy are: no distribution centers per country, no advertisement when entering a new market and the lean head office per country servicing all the formats. This strategy has led Zara to create a climate of scarcity and opportunity as well as a fast-fashion system. The five key elements to the business model of Inditex-Zara are customer, store, design/production, logistics and teams.

If we look at the aspect scale and scope. Inditex-Zara has a broad international brand with stores around 5 continents. However the scale and scope in the Netherlands can be improved on. There are only 15 Zara shops, 7 Bershka shops and 1 Zara Home in the Netherlands at the moment. You can only find these stores in the bigger cities. While in Spain there are in total 1.910 shops, shared among the 8 chains of Inditex-Zara. So the scale and scope in their own domestic market is more dominant. But all in all Inditex-Zara has a strong international scope around the world. It has expanded to 5 continents, Inditex-Zara has by far the most stores and entered new markets if you compare it with the other case studies. So Inditex-Zara has established a strong focus on scale and scope around the world, but can still be improved on in the separate countries.

Inditex-Zara put a lot of attention in their façade appearance. Inditex-Zara uses fewer advertisements in comparison with other fashion brands and prefers ‘mouth to ear’ advertisements. Their main advertisement skill is their façade appearances. Product is showcased through stores located on prime sites. There is a lot of focus in the interior and exterior architectural design. Each shop formula of Inditex-Zara has its own specific appearance. Like Zara that mainly uses black and white and has a big transparent façade and Bershka that has a more modern and contemporary atmosphere that is more inviting for the target group of Bershka. However each individual shop has the authority to slightly change the window display and the showcase of the product collection to adjust to the preferences of the customers. In this way each time customers will have a different experience when they come and are adjusted more to their needs.

5.7 Conclusions

We have looked at the main points on the five research variables on the case study of Inditex-Zara. The main points can be summarized in table 5.2. Inditex-Zara has a strong focus on innovation and constant improvement in their management. They have introduced several new shopping formulas in the past till now and each shopping formulas has its own target group and shop design.

Inditex-Zara has a strong international brand and is known worldwide already. However in the Netherlands it is less well-known compared to other fashion brands. This is mainly the cause because the small number of stores it has in the Netherlands and that these stores are only located in the
bigger cities. Nonetheless the name Inditex-Zara and especially their main fashion chain Zara are known internationally. They have a strong basis in their domestic market Spain. Each shop formula of Inditex-Zara has its own business model, shop design etc. They have their own distinguishing character and own target group. Inditex-Zara has a strong focus on their shop design and window layout, because this functions as their main distribution channel. They are famous by their grandiose stores.

If we look at adaptation Inditex-Zara has introduced several different shopping formulas to adapt to the changing needs and preferences of customers. Their fashion collection also changes by the time, because they are so trend sensitive. Inditex-Zara wants to be a trendsetter and therefore has a strong focus on their fashion collection. They change their collection at least every two weeks so that customers won’t get bored with the same products. Their aim is to have every time new products when their customers visit their stores. The main entry mode of Inditex-Zara is through acquisition.

Inditex-Zara has a strong international presence in 5 continents around the world. It has 4,264 stores in total around 73 countries, from which in the Netherlands only 23 stores. So worldwide Inditex-Zara has a strong focus on scale and scope. They ambition is that everyone knows Inditex-Zara by growing worldwide. In the Netherlands Inditex-Zara is less known, because of their small number in stores. The locations of the stores are only in A1 locations in busy shopping districts. These A1 locations are areas or shopping streets with the highest number of visitors. Characteristics for these A1 locations are a pedestrian road, national known anchor stores and high selling and rent prices. Fashion stores, shoes- and leather goods business and department stores occupy here more than 75% of the shopping floor spaces. There is little vacancy (2-4%).

The time is the main factor to be considered in the business model of Inditex-Zara. They have the ability to scrap a whole design collection within one night. Their design, production, to market cycle has been reduced to 22-30 days, which is a lot smaller than their competitors. They aim to be the first to introduce their fashion collection. Their fashion collection also changes at least every two weeks so that each time a customer visit a store they have e new experience, collection were they can choose from. Each shopping formula of Inditex-Zara has its own business model.

<table>
<thead>
<tr>
<th>Table 5.2 Main points research variables Inditex-Zara-Zara</th>
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<tbody>
<tr>
<td><strong>Inditex-Zara</strong></td>
</tr>
<tr>
<td>Innovation</td>
</tr>
<tr>
<td>- Desire for innovation and constant improvement.</td>
</tr>
<tr>
<td>- Several shop formulas has been introduced.</td>
</tr>
<tr>
<td>Brand control</td>
</tr>
<tr>
<td>- Strong international brand.</td>
</tr>
<tr>
<td>- Less known in the Netherlands.</td>
</tr>
<tr>
<td>- Strong basis in domestic market in Spain.</td>
</tr>
<tr>
<td>- Each shop formula its own brand and shop design.</td>
</tr>
<tr>
<td>- Strong focus on individual window display, architecture and interior.</td>
</tr>
<tr>
<td>Adaptation</td>
</tr>
<tr>
<td>- Several shop formulas to adapt to the changing needs of the customers and market.</td>
</tr>
<tr>
<td>- Trend sensitive fashion collection.</td>
</tr>
<tr>
<td>- Product collection of Inditex-Zara will change every two weeks and new products twice a week.</td>
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</tbody>
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The main points researched about the five research variables have a connection with the research results discussed in chapter 2. In this chapter it was already told that the “Aggressive Internationalists” is more specialized in the luxury products, see figure 2.4. Inditex-Zara is also specialized in luxury products. In this case it is in the fashion branch. Therefore Inditex-Zara acquires a more trend sensitive collection and has a strong focus on a shorter business process so that they can react quicker to changing fashion trends.

Inditex-Zara has a high cost/control strategy and multinational presence around the world as mentioned in the cluster “Aggressive Internationalists” in the model of Treatgold. This can also explain their strong focus on scale and scope. They have indeed established a worldwide portfolio with shops in 5 continents. As said in chapter 2.1 these cluster have the choice to expand to more or less developed countries, see figure 2.6. This explains their wide variety of markets they have entered.

5.8 Reflection

Inditex-Zara has opened a lot of new stores in foreign markets in the last years. When opening a new store in a market they haven’t entered yet Inditex-Zara would make sure to have done proper research yet and find a location for their store in the best business location. If these locations aren’t located in the best business location than that wouldn’t work for Inditex-Zara. The opening of the store would also be a grand happening in these new markets. People that walk along the streets will be interested in the new store. Because Inditex-Zara invests a lot in the store design and the architecture of the store itself it would become an eye catching opening in the new markets. Their prices of the products are also affordable and they offer new products at a quick period of time. That is maybe why the stores of Inditex-Zara are doing well in other countries too.

In the expansion strategy of Inditex-Zara they open about the 365 and 425 new stores annually. For general retailers in the fashion branch this is an aggressive growing strategy. However most of the store openings happen in the existing markets. In these markets were Inditex-Zara has already entered the market these store openings will increase their basis and brand control in the markets. Because Inditex-Zara has achieved a worldwide brand control they have the ability to expand in a rapid time, however Inditex-Zara shouldn’t be held captive in reaching their annual growth, but on the other hand needs to reflect and adapt on their real estate strategy constantly and decides if such a rapid growth is achievable and realistic from time to time.
Despite the high number of stores opened annually Inditex-Zara also needs to take into account they have to few stores established in the markets they entered. They only have a few stores at potential business locations. That is why they will lose potential customers to other competitors who have more shops around the country. However because of the scarcity of their stores they also create an exclusive character that distinguishes them from other competitors. For future operations they need to find a balance in the focus on increasing their scale and scope in the markets they have already entered and remaining their exclusive character. In this way the store openings that takes place in the already existing markets is a cunning step to take.

Trends that Inditex-Zara needs to take into account are that more and more fashion stores introduce online shopping. Inditex-Zara has yet to introduce online web shops in all the countries they have entered. The company has begun to open its web shops in Spain, France, Germany, Great Britain, Italy and Portugal this year. After this the other countries will also open web stores. Inditex-Zara is considered relatively slow in following the trend in opening a web stores. Other competitors like H&M have already opened a web store. In this sentence Inditex-Zara needs to catch a lot in this aspect. If Inditex-Zara doesn’t follow these trends in the fashion world and other competitors like H&M follows this might become one of the pitfalls of Inditex-Zara.
6. H&M

6.1 Historical background

Erling Persson established the Swedish clothing company H&M in Västerås/Sweden in 1947. The business was original called ‘Hennes’, which means ‘hers’ in Swedish, because it only sold woman’s clothing. In 1968 the buildings and the inventory of a hunting equipment store, named Mauritz Widforss from Stockholm, was acquired. With the expansion of the product range to men’s clothing Erling Persson renamed the company in ‘Hennes&Mauritz’, later abbreviated to ‘H&M’.

According to H&M homepage\(^{62}\) its business concept is fashion and quality at the best price. H&M can keep that ‘best price’, because it only has very few middlemen, it uses the economies of scale and buys large volumes directly from the manufacturer. In addition the efficiency of H&M’s products are low, it prefers to place its stores in areas with expensive designer stores and tries to appear as a high-end fashion brand. Recently famous fashion designers like Karl Lagerfeld and Stella McCartney have designed collections exclusively for H&M, which were sold with tremendous success.

Since 1974 H&M is listed on the stock market. In the 1980’s H&M’s new managing director Stefan Persson started to focus more and more on internationalization. H&M’s success can be seen in its ability to quickly respond to changing customers demand and sales trends.

H&M has 22 productions offices around the world. More than 100 designers work for H&M, but H&M does not have its own factories. Instead it buys its products from more than 700 different suppliers. About 60% of the production is done in Asia. Deliveries are made to all stores every day.

The first store outside Sweden was opened in 1964 in Norway. In 1967 H&M expanded to Denmark and the United Kingdom, followed by Switzerland in 1978 and Germany in 1980. In 1989 H&M went to the Netherlands, 1992 to Belgium, 1994 to Austria and 1996 to Luxembourg. One year later the first store opened in Finland(1997). France had the first H&M store in 1998 and in 2000 stores were opened in the USA and Spain. Poland, the Czech Republic, Portugal and Italy followed in 2003 and Canada and Slovenia in 2004. In 2005 H&M went to Ireland and Hungary. Although H&M does not usually do franchising it launches a franchise operation in the middle-east. The first store opened in Kuwait and Dubai in 2006.

\(^{62}\) H&M 2009 [online], Corporate responsibility, Available at: [http://www.hm.com/nl/corporateresponsibility__responsability.nhtm][1] [Accessed on 16 December 2009]
6.2 Aggressive internationalist

“Aggressive Internationalists” represents a cluster that an increasing number of retailers aspire towards. H&M is an aggressive internationalist, because they have reached the multinational level of geographical spread. H&M has expanded into four continents, North America, Europe, Middle East and Asia, and expanded into 39 markets. From 2003 H&M has entered a lot of new markets, including new markets in Asia. This state something about their multinational presence and proves their position as market leader. Also H&M invest a lot on their entry and operating strategy. With this taken into account H&M satisfy the criteria’s for the cluster “Aggressive Internationalists” in the model of Treatgold. H&M corporate ambition of achieving a prominent international presence has also been realized that was a criterion for the cluster “Aggressive Internationalists”.

Figure 6.2 H&M stores locations in 2003 and 2009

6.3 Concept

H&M tries to keep balance between best price, quality, and fashion. According to its annual report 2005, H&M ensures the ‘best price’ by

- Few middlemen,
- Buying in large volumes,
- Having a broad, in depth knowledge of design, fashion, and textiles,
- Buying the right products from the market,
- Being cost-conscious at every stage, and
- Having efficient distribution.

In order to achieve its goal “to grow at a controlled pace and maintain profitability” H&M is forced to keep their costs to a minimum by still ensuring both the latest fashion as well as a good quality.

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H&M faces a high pressure on cost reduction in order to stay successful and achieve its business concept “to offer fashion and quality at the best price”\textsuperscript{66}.

The product strategy of H&M is to find a good balance between adopt and adapt. The retail business is very local. There is no need for H&M to adopt the fashion range in the product strategy very much. The buying department and the designers create a complete line and from this collection pieces are chosen for every market.

6.4 Shop at H&M

H&M has only one shop formula, but there are several different ways to shops, several distribution channels. The most common known are in the store in town, shop online and with the use of the catalogue.

- **Store**
  These stores can be found in shopping areas and in the stores the latest collection id provided. In the stores you can have a look around and see all the new items that appear on the rails every day and find lots of fashion ideas to inspire you.

- **Shop Online**
  If you haven’t got time to come to an H&M store, large parts of the collection is available for online clothes shopping. You can shop online on the internet and find out how nice it is to shop for clothes exactly when you want to. The online shopping store hm.com never closes and new garments come in all the time.

- **Catalogue**
  If you want to lie on the sofa and take a peek at the season’s fashions before everyone else, you can use the catalogue and mail order the latest fashion. You can then choose whether to phone in your order, send it by post or order online.\textsuperscript{67}

6.5 Research variables of H&M

**INNOVATION**

H&M has introduced in recent years a radical new marketing strategy. One of them is the offering of the exclusive ladies shoes brand Jimmy Choo in a simpler and affordable version. These shoes can now be found in the stores of H&M. This marketing strategy attracts a broader public with its more affordable price. In recent years H&M has also sold collections from famous designers as Viktor & Rolf, Stella McCartney en Roberto Cavalli fashionista’s and last year’s Matthew Williamson. Jimmy Choo will not only design shoes and bags, but also fashion for the woman and men collection. H&M is also one of the first fashion brands that have opened a web store where the whole collection of H&M can be ordered. In most times products can already be ordered when they are not in the stores themselves. Also products can be ordered when they are out of stock in the stores selves. Because


\textsuperscript{67} H&M (2009), Shop at H&M, Available at: http://www.hm.com/nl/abouthm/shopathm__shoppage__shop.html [Accessed on 17 December 2009]
these products can be returned within 30 days it is a well received alternative for woman who doesn’t have the time to do the shopping in town, but still wants to catch the latest fashion.

**BRAND CONTROL**

*Ranking retail store*

H&M is very well known in the Netherlands. In almost every shopping street you can find H&M stores. If we look at the results of the questionnaire in appendix VII we can see that people will rank H&M as the second place after Ahold. If we look at the top 100 formulas of Locatus we will also see that H&M is ranked 34 based on the floor space of 101.735m². This is the highest rank focused on only the fashion brands. With this we can conclude that the brand H&M is very well known in the Netherlands, especially on the area of fashion.

*Outlet store*

The stores of H&M can mainly be found in the city centers or shopping centers. They are often housed or in historical properties or stores with a modern image. You can recognize the stores with its large red H&M logo. The façade often has a transparent image with mannequins in the façade that shows the latest fashion products of the store and some advertisements. The main colors of H&M are red accompanied with black or white. The floor space of H&M is about 1000-1400m². In recent years H&M experience to have a more innovative and modern window display to attracts younger people. They try to attain this modern image with using a transparent façade and using more colorful lights in the entrance, like in the pictures 6.5 and 6.6.
The store and its window displays are H&M’s most important channel of communication with customers, and the right design is thus particularly important. Every two or three years, H&M creates a brand new interior design program for a large number of stores based on one new, special store in an interesting market. “Our interior program has to work in a variety of conditions, and it’s designed to do just that. The program enables us to make every store unique.”, says Ulrika Bernhardtz, creative director for store development. When H&M creates a new store, the goal is to make it inviting and inspiring. It should appeal to a broad public so everyone feels comfortable, regardless of background.68

**Interior store outlet**

The interior of H&M has a neutral, but a strong white color as basis. For the ceilings and floor usually white tiling are used. The wands and furniture have a black or white color. The whole store interior has a modern atmosphere and the lighting are all very well finished off. If we look at other store concepts, like the H&M Divided that sells the Divided collection of H&M the store interior has a more modern, photo shoot like concept. The store interior mainly uses the color black. The floors, ceilings, wands, furniture are all black and form a contrast with the colorful product collection they have. The lightnings used are more spotlights that can be seen clearly in the shop.

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<table>
<thead>
<tr>
<th>Table 6.1 Store aspects H&amp;M and H&amp;M Divided</th>
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<tbody>
<tr>
<td>H&amp;M</td>
</tr>
<tr>
<td>Façade</td>
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<tr>
<td>Routing</td>
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<tr>
<td>Parking facilities</td>
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<tr>
<td>Scale</td>
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<tr>
<td>Lightning</td>
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<tr>
<td>Atmosphere</td>
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<td>Material/ color</td>
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</table>

**Product**

H&M is famous for its good balance in price and fashion. They offer a collection that is affordable to its consumers with a price that is lower than other famous brands like Zara. Because of this H&M attracts a lot of younger people that wants to follow the latest trends. For them the collection is the latest trends and they want the products of H&M in their home. So the collection of H&M is also really trend sensitive and they will do research on the latest fashion trends so that they can adjust their collection. Because the collection of H&M determine for a larch part what the latest trends are for their customer, the products of H&M also function as a brand for the consumers.

**ADAPTATION**

H&M tries to adapt to the changing preferences of the customers by having several collection and campaigns a year that change every season. The collections of H&M strive to be a fashion trend that customers follow for a reasonable price. Designers of H&M study the fashion trend for the coming years and adjust their own fashion brand. Within the collection of H&M it has several separate clothing lines that address different target groups. You can think of the casual wear, sport wear, formal wear etc, but the main difference with Inditex-Zara is that H&M just have one brand store and all the collections can be found in the store and Inditex-Zara has separate shop formulas housed in different stores for the different target groups.

In recent years H&M has expanded in Europe, the US, Asia and the Middle East, extended Internet and catalogue sales to more countries, developed new concepts and positioned itself as an international fashion brand with more than 100 designers and much appreciated guest designer collections.

The preferred entry mode of H&M is mainly through acquisition and franchising in countries where H&M knows less about the market there. In 2008, H&M acquired the Swedish fashion company Fabric Scandinavien which includes the store chains Weekday and Monki as well as the Cheap Monday brand. In 2008, a net total of 196 stores were opened. An additional 20 stores were added through the acquisition of FaBric Scandinavien. The expansion goal for H&M is to grow by 10 – 15 percent in new stores annually, a strategy that involves constant expansion into new markets. The
major establishments of the year were the expansion into Japan as well as adding the franchise markets of Egypt, Saudi Arabia, Bahrain and Oman.69

SCALE AND SCOPE
H&M is not in the top 100 list of locates based on their number of distribution stores but is number 34 based on the floor space of 101.735m². H&M is famous for their fashion brand, but nonetheless they could only be found in busy shopping streets, shopping centers, city centers etc. So they only choose the A1 locations, so maybe in the smaller cities you cannot find H&M stores and that is why maybe you cannot find H&M in the top 100 list based on the number of distribution stores. If we look at the floor space H&M is placed higher on the list. If we look at the top 100 list H&M is placed highest on the list on the category fashion. With this we can conclude that H&M has a focus on scale of their outlet stores.

Location
H&M stores can be found in big cities in the Netherlands. They are located in busy shopping streets and districts. In big cities they can also be found in the same street with more than one shop opened. H&M only opens shops in A1 locations in shopping areas, where a lot of people pass by. This is also the case in the other countries where H&M open their stores. They only open stores in the best shopping business locations.

Opening hours
The opening hours for H&M also depend on the cities where their stores are located. In Amsterdam and Rotterdam for example the stores are also opened on Sunday. On normal days they will be open on average from 10.00-18.00, with exceptions on Monday mornings when mostly the stores are closed and once a week an expanded evening hours till 21.00. For example the opening hours of the stores in Amsterdam are on Monday 11.00-18.30, Tuesday and Wednesday 10.00-18.30, Thursday 10.00-21.00, Friday and Saturday 10.00-18.30 and Sunday 12.00-18.30.

Target group
The target group of H&M concentrates mainly on the younger generation men and woman, but the collection of the woman wear is bigger. H&M mainly targets woman who are confident and trends sensitive searching for something special. Their target group concentrates on people who have a sensitive eye for good fashion and are searching for a more reasonable price compared with other brand fashion stores. Their statement is also to offer fashion and quality at the best price.

BUSINESS PROCESS
H&M change their collection every season. Every season the whole collection changes and product that are left over will be on sale before the new season collection enters. So their collection will be changed around every three months. The time the collections changes are mostly a couple of months before the season changes. That’s why beforehand advertisements can be made before the actual season starts.

H&M strives to have as few middlemen as possible between the design phase and distributions phase. The same as with Maxeda, H&M has a direct relationship between the designers and

distributers to shorten the process. Another point is that H&M buys in large volumes and strives to distribute its product as efficiently as possible. A difference between Inditex-Zara is that H&M has its production being outsourced by independent suppliers in Europe and Asia and Inditex-Zara has an own in-house production.

6.6 Results of real estate strategy

H&M’s business concept is to offer fashion and quality at the best price. H&M is driven by strong set of values which encompasses a commercial mindset, simplicity, continuous improvement, cost consciousness and entrepreneurship.

If we look at the business process from design to distribution we can conclude that the business cycle of H&M is longer in comparison with Inditex-Zara. The main reason is that H&M does not own any factories. Instead, the manufacture of their products is outsourced, via H&M’s production offices, to independent suppliers located primarily in Asia and Europe. Also, H&M does not own any stores; rather, they rent store premises from both international and local landlords. H&M also does not own any factories, but instead buys its goods from around 800 independent suppliers, primarily in Asia and Europe. H&M has about 20 production offices around the world, mainly in Asia and Europe. Millions of items are involved and these are sent out to the stores via a number of distribution centers. Getting the right item to the right store at the right time is the key to H&M customers always finding something new and exciting. The stores are replenished with new merchandise on a daily basis. If we look at the design process the designs of H&M are not outsourced. H&M has its own in-house designers. H&M’s in-house designers interpret fashion trends and create fashion that is accessible to everyone.

The aim is for H&M stores always to be located in the best business location, whether in a big city or a shopping centre. This has been a firm principle of H&M since the first store opened and is still true today. The fact that H&M leases all the store premises is an advantage. It makes it easier to move a store to another site if the best business location in a city changes. H&M offers a wide range of stores – everything from big full-range stores to small concept stores. The stores vary in size from a few hundred square meters to several thousand square meters. H&M also has a strong focus on the façade of the stores. They find the window display the most important channel of communication with customers. Every two or three years, H&M creates a brand new interior design program for a large number of stores based on one new, special store in an interesting market.  

H&M has a strong international brand and has expanded into four continents. H&M is relatively well known in the Netherlands, especially in the fashion sector. Almost in every shopping street you can find an H&M store. Based on the number of stores H&M has the most stores in the Netherlands in the fashion sector. More than Inditex-Zara and Hunkemöller. Based on the presence of H&M in the Netherlands and worldwide in the other countries we can conclude that H&M has a strong focus on scale and scope.

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70 H&M in words and pictures 2008 (2008), “Stores that inspire”, p. 28
Every year H&M also launches a number of major campaigns, which are complemented by smaller campaigns. This increases the interest around the new collections of the season. The campaigns act as exciting, recurring invitations to H&M. Since 2004, H&M has also collaborated with several international designers and fashion icons. Designer collaborations boost our brand as a fashion house and make our business concept clearer to customers. H&M places high demands on all communication, which must always be of the highest quality. H&M uses all channels in its communication.

H&M continues to have a positive view of future expansion and business opportunities. A net addition of 225 stores, which will create 6,000 to 7,000 new jobs, is planned for 2009. The largest share of the group’s expansion will take place in the USA, France, Italy, Spain, the UK and Germany.  

6.7 Conclusions

After looking at the influence of the five main research variables on the internationalization strategy of H&M some main points can be looked at in table 6.2. For the variable innovation H&M has a strong focus on innovation. Besides innovation in their campaigns and distribution channels (offering magazine, online shop etc.) they also cooperate and offer collection from famous designers like Viktor & Rolf and Stella McCartney etc. In the stores of H&M you can also find Jimmy Choo shoes and bags offered for a smaller price. H&M tries to offer fashion which creates the trend. Their collection is very trend sensitive and they put a lot of effort in innovation.

H&M is very well known worldwide and has a strong international brand. They are active in 4 continents around the world. In the Netherlands H&M is also very well known. In almost every city you can find an H&M shop. They are ranked number one in the fashion branch in the Netherlands. Their stores have a central shop design, but there is place for some individual enhancement. Like the shop design in Schiphol airport in the Netherlands and the modern shop design in Barcelona.

If we look at the aspect adaptation H&M have a strong focus on adapting their collection to the changing fashion trends. Because H&M operate in the fashion world their collection is very trend sensitive. This is why their collection changes every season with several campaigns a year to keep the latest fashion trends in the collection. The preferred entry mode of H&M is mainly through acquisition and franchising in countries where H&M knows less about the market there.

H&M has a strong international presence in 4 continents around the world. They have a strong focus on scale and scope around the world. They aim to be a dominant player in the markets they enter. In the Netherlands they have achieved this with their high number of stores. Their stores can almost be found in every city in A1 locations in busy shopping districts. These A1 locations are only in busy shopping districts with a high number of visitors and are mostly located in the neighborhood of other famous anchor stores with a high rent price.

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H&M changes their collection every season, with every season several campaigns. This is to maintain the interest of their customers and adapting to the changing seasons. The production process of H&M strives to be as short as possible. H&M strives to have as few middlemen as possible between the design phase and distributions phase and H&M buys in large volumes and strives to distribute its product as efficiently as possible. Their production process however is longer in comparison of Inditex-Zara. One of the reasons is that H&M doesn’t have its own factories.

Table 6.2 Main points research variables H&M

<table>
<thead>
<tr>
<th>H&amp;M</th>
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<tbody>
<tr>
<td><strong>Innovation</strong></td>
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<tr>
<td>- Offering collections from famous designers as Viktor &amp; Rolf, Stella McCartney etc.</td>
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<tr>
<td>- H&amp;M is one of the first fashion brands that have opened a web store where the whole collection of H&amp;M can be ordered.</td>
</tr>
<tr>
<td><strong>Brand control</strong></td>
</tr>
<tr>
<td>- Very well-known in the Netherlands.</td>
</tr>
<tr>
<td>- Strong international brand.</td>
</tr>
<tr>
<td>- Focus on modern shop design.</td>
</tr>
<tr>
<td><strong>Adaptation</strong></td>
</tr>
<tr>
<td>- Trend sensitive fashion collection.</td>
</tr>
<tr>
<td>- Several collection and campaigns a year that changes every season.</td>
</tr>
<tr>
<td>- Preferred entry mode is mainly through acquisition and franchising in countries where H&amp;M knows less about the market there.</td>
</tr>
<tr>
<td><strong>Scale and scope</strong></td>
</tr>
<tr>
<td>- Strong international presence in 4 continents around the world.</td>
</tr>
<tr>
<td>- Well-known in the Netherlands.</td>
</tr>
<tr>
<td>- A1 locations (busy shopping streets)</td>
</tr>
<tr>
<td>- Opening hours dependent on city and selective target group.</td>
</tr>
<tr>
<td><strong>Business process</strong></td>
</tr>
<tr>
<td>- H&amp;M change their collection every season, with every season several campaigns.</td>
</tr>
<tr>
<td>- H&amp;M strives to have as few middlemen as possible between the design phase and distributions phase.</td>
</tr>
<tr>
<td>- H&amp;M buys in large volumes and strives to distribute its product as efficiently as possible.</td>
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</table>

Looking back at the research results as can be seen in table 6.2 some results can be explained with the theoretical framework found in chapter 2. In chapter 2.1 some basic questions have been answered about the internationalization process of retailers. In this chapter it was already told that the “Aggressive Internationalists” is more specialized in the luxury products, see figure 2.4. H&M is in this case just as Inditex-Zara specialized in the fashion branch and acquire a more trend sensitive collection and shorter business process. With the model of Treatgold can also be explained why H&M of the “Aggressive Internationalists” have a more high cost/control strategy and their focus on scale and scope. They have indeed a worldwide portfolio with shops in different countries. As said in chapter 2.1 these cluster have the choice to expand to more or less developed countries, see figure 2.6. This explains their wide variety of markets they have entered.
6.8 Reflection

H&M entered a lot of markets and has a worldwide presence around 4 continents. In the markets they have entered they have established a broad presence. They have a strong focus on scale and scope and have a broad target group. In the markets they have entered they have established a brand and had become a local player in the fashion industry.

H&M has a substantial growth the last years. They expand with 10-15% in new stores annually. A strategy that involves constant expansion into new markets. That is about 200-300 stores a year. These are relatively less store openings than Inditex-Zara, but in general it is still a substantial growth that other fashion retailers can’t achieve. H&M open their stores mainly in the countries already entered to establish a dominant position there. In most of the countries they entered this is mostly the cases. H&M is well known there and in general being well received. Also in the new markets they enter, like in Tokyo they were also well received. In this aspect H&M has already became a dominant player worldwide in the fashion branch and their expansion strategy is doing well.

H&M follows the latest trends. They use sustainable materials in a part of their collection and focus in the latest trends about sustainability. Also they were the first shops to introduce online web shopping. They also follow the latest fashion trends and introduce several new collections a year and work together with famous designers. H&M also gives emergency aid and donates clothes showing their focus on charity. From this you can see that H&M have a great focus on the latest trends and in the future they will maintain their focus on the latest trends. This is one of the advantages strategies that H&M has. Through their innovative focus in introducing new concepts and have focus on the latest trends H&M has a distinguishable character among other retailers and stay a step ahead in following the trends.

What H&M needs to take into account is keeping their concept in the future. They need to maintain their quality products for an affordable price. If their products stop attracting the customers or the quality of their products drop they will lose their dominant position in the market. This is also the case with their price. If the balance between the price and the product is disturbed than they lose the interest of their customers.
7. Cross-case analysis

In this chapter, we analyze data across all of the cases in order to identify similarities and differences in the internationalization process. By identifying similarities and differences, we seek to provide further insight into issues concerning the internationalization process and generalizing the case study results.

7.1 Results Emboldened Internationalists

In figure 7.4 you can see the main points of the research for both the case studies Ahold and Maxeda. The main points can be seen on the research variables innovation, brand control, adaptation, scale and scope and business process. If we look at the results closer we can see some similarities between the two case studies. For innovation both case studies focus more on innovation in the store concepts, be it the distribution concepts (online stores), marketing concept (publishing new magazines) or the store concepts self. Also both Ahold and Maxeda search for innovation in the business process, like entry strategy and distribution system.

If we look at brand control there is a small difference between the brand rankings between the two case studies. Ahold has a far better known brand in comparison than Maxeda. Ahold is ranked number one in the questionnaire, see appendix VII, and in the top 100 retail formulas in the Netherlands published by the research agency Locatus. Maxeda on the other hand is less known in the Netherlands in comparison with Ahold. Reasons for this are that the name Maxeda as a retail group is less known than their separate shop formulas like Hunkemöller, V&D, M&S etc. and also Ahold has a far more better focus on their number of distribution stores. Ahold is taking a dominant position in the supermarket branch and the fashion formulas Hunkemöller and M&S of Maxeda has yet to take the dominant position in the fashion branch in the Netherlands.

Similarities between the case studies are that both Ahold and Maxeda have a central shop design, so their stores are recognizable by its customers. Also both have products that can be distinguished among other competitors. Products that have their own selling point in the market. If we look at the adaptation both case studies have a focus in adaptation be it in the formats they use or in their collection. The slight difference between the case studies is that Maxeda slightly changes its
collection more in comparison with Ahold, but this can be explained that Maxeda works in the fashion industry that is more influenced by its culture than the food products in the food industry that mainly consists of a basic collection. In the food industry the retailers require more refreshments than in the fashion industry, so that the food products won’t be out of stock. The products in the fashion industry on the other hands need not to be refilled every week. On the other hand new products are required from time to time to follow the latest fashion trends and keeping the customers curious and excited about their collection. A comparison between the food and non-food in this case isn’t that easy to conduct. Non-food retailers have achieved an international status that food retailers have not achieved. Some non-food retailers have succeeded in developing operations in a considerable number of markets around the world. This geographical spread has not been achieved by food retailers, unless, that is, catering industry operations such as MacDonalds are included within the definition of retailing. Many grocery retailers have either remained within their national markets internationalized into a relatively limited number of markets. Only some, such as Carrefour, have established a dispersed international operation. Ahold is one of the few that has established a dispersed international operation from the 1970’s, but after the scandal in 2003 it become more cautious on its internationalization process. Another difference is where non-food retailers have developed a world presence they have often operated only a limited number of outlets in the markets they serve, whereas food retailers have been forced, by the very nature of their business, to develop a considerable presence in order to compete effectively. Because of the complicated nature of the differences between these two branches we don’t strive to compare Ahold and Maxeda on every aspect of their internationalization strategy in this research. What we strive in this research is to conclude some general assumptions that we can make about the cluster “Emboldened Internationalists” which they both consists of.

For the entry strategy in both cases the main entry mode are mainly through acquisitions. This is in general a high entry strategy with a high control and cost strategy. Franchising or joint-venture will be used in the countries were the retailers are less familiar with. If we compare on the aspect scale and scope Ahold has a stronger focus on scale and scope in comparison with Maxeda who has a stronger focus on its products, but both have said that they only look for A1 location for their stores. The main difference is that A1 location for Ahold is more in the neighborhood of living areas and for Maxeda it is in busy shopping streets. For both the case studies they have adapted their opening hours to the city where they are located at and the potential flow of customers. Their target groups however are different. This is mainly the cause of the difference in retail sectors were they are working at. For Ahold as a supermarket they concentrate more on household members and for Maxeda they mainly concentrate on the gender woman.

If we look at the business process there is a difference in the speed of changing the product collection. For Ahold it is once a week and for Maxeda it is between the 2-4 weeks. As said before this can mainly be explained by the difference in retail sectors. Both case studies try to attract the customers by its products. Ahold use bonus products to attract them and Maxeda by its balance in products. Both case studies also have a strong focus on an efficient business process. Ahold on its efficient transport and Maxeda through its direct relationship between designers and distributors. In figure 7.4 you can see a small summary of the main points mentioned above for the cases Ahold and Maxeda.
Now if we look back at the model of Treatgold we can expect some conclusions that can be made with the use of these two case studies. In the model of Treatgold four clusters are mentioned based on the geographical spread and entry strategy. The characteristics of the cluster “Emboldened Internationalists” is that they have a dispersed geographical spread and a high cost/control strategy. In this group retailers continue to exercise high control and therefore incur high entry costs but have gone through the longevity of their international expansion and begun to move into markets which are remote both culturally and geographically. If we look at the case studies Ahold and Maxeda they both have used a high cost/control strategy. In general they both expand through acquisition with wholly owned subsidiary or in the case of Ahold through joint-venture, which they have used in the past in Asia. In some cases both Ahold and Maxeda use franchises, but this is only a small part in their portfolio.

Both Ahold and Maxeda also have a more dispersed geographical spread. They have expanded in different countries in Europe and for Ahold they have even expanded overseas to the east coast side of the United States. Both case studies have a less concentrated geographical spread than the retailers in the “Cautious Internationalists” and have taken steps in a number of foreign markets. For these reasons it is more logical that the “Emboldened Internationalists” maybe have less focus on scale and scope and brand control than the “Aggressive Internationalists”, because they have entered fewer markets worldwide and are internationally less well known than the retailers in the “Aggressive Internationalists”. Also if we look at figure 7.3 we can see that the “Emboldened Internationalists” are often more specialized in general retailing and/or luxury goods. As for the cases Ahold and Maxeda they both operate more in a basic product collection. Both clusters can be located more towards the general retailing than the luxury goods retailing. For this aspect their less focus on adaptation and faster operation can be explained. Because they operate in the less specialized luxury goods retail sector as in the cluster “Aggressive Internationalists” there is less need to adapt faster to changing trends in the market and their business process can be shorter in comparison. There is also less need to adapt its collection, because they function more on a basic product collection.

The retailers in the “Emboldened Internationalists” also have the least stable membership being populated by a number of companies with multinational ambitions. Retailers in this group generally have a longer history of trading internationally than those in Cluster One “Cautious Internationalists”. If we look at Ahold and Maxeda they both indeed are a retail group populated by a number of companies with multinational ambitions and have a long history in international retailing.
<table>
<thead>
<tr>
<th></th>
<th>AHOLD</th>
<th>MAXEDA</th>
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<tbody>
<tr>
<td>Innovation</td>
<td>• Store concepts [AH XL, AH To Go]</td>
<td>• Store concepts (Shops in shops)</td>
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<td></td>
<td>• Marketing concepts [Allerhande, AH stamps]</td>
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<td></td>
<td></td>
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<tr>
<td>Brand control</td>
<td>• Ranked number one in NL [domestic food retailer]</td>
<td>• Name Maxeda relatively less known</td>
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<tr>
<td></td>
<td>• Central shop design</td>
<td>• Central shop design</td>
</tr>
<tr>
<td></td>
<td>• Home brand products [Euroshopper, AH excellent]</td>
<td>• Broad measurement products with same price</td>
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<td></td>
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<tr>
<td>Adaptation</td>
<td>• Formats to market</td>
<td>• Slight changes in collection [color, sizes, time of campaigns]</td>
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<tr>
<td></td>
<td>• Refreshments twice a week</td>
<td>• Balance mix in collection [Basic and fashion]</td>
</tr>
<tr>
<td></td>
<td>• Acquisition and joint-venture</td>
<td>• Acquisition and secondary franchising</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale and scope</td>
<td>• Strong focus on scale and scope in the NL</td>
<td>• Domestic market NL, less focus on scale and scope compared to AH</td>
</tr>
<tr>
<td></td>
<td>• A1 locations [residential areas]</td>
<td>• A1 locations [shopping districts]</td>
</tr>
<tr>
<td></td>
<td>• Extending opening hours [evening and Sundays]</td>
<td>• Opening hours dependent on city</td>
</tr>
<tr>
<td></td>
<td>• Households</td>
<td>• Woman with small and big sizes</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Business process</td>
<td>• Refreshments twice a week</td>
<td>• Change collection every 2-4 weeks</td>
</tr>
<tr>
<td></td>
<td>• Bonus products</td>
<td>• Balance mix collection [basic and fashion]</td>
</tr>
<tr>
<td></td>
<td>• Efficient transport</td>
<td>• Direct relationship between designers and distributors</td>
</tr>
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Figure 7.4 Cross case analysis, “Emboldened Internationalists”
7.2 Results Aggressive Internationalists

For the main points of the research of the “Aggressive Internationalists” you can look at figure 7.7. Here you can see the main conclusions on of the research on the case studies Inditex-Zara and H&M. The conclusions of each of the five research variables can be found in this figure. In the case with the “Aggressive Internationalists” we can also find some similarities between the two case studies. If we look at the variable innovation we can see that both cases have a strong focus on innovation, but both in their own ways. Be it in their own shop formulas, collection design, distribution channels etc. Both case studies also have a strong focus on brand control, but in the Netherlands Inditex-Zara is less known than H&M. Reasons for this are that Inditex-Zara only has 23 stores in Netherland and H&M 2,000 stores as of 30 November 2009. Because of this H&M can almost be found everywhere and Inditex-Zara only in the big cities. Inditex-Zara is less known in the Netherlands, but is more well-known worldwide. Inditex-Zara is active in 5 continents around the world with its domestic market in Spain. Inditex-Zara is the most well known brand in the fashion industry. If we look at the collection from both Inditex-Zara and H&M both fashion brands has built up their own brand. For Inditex-Zara it is through it ever changing collection and for H&M it is the balance between the best price and fashion. If we look at the appearance of the stores both case studies have a strong focus on their shop design. Inditex-Zara has a strong focus on their interior and exterior architectural design of the shops, because their shops are their advertisements and H&M focus more on the window design.

Now if we look at the aspect adaptation we will see that there are some differences in the way the two case studies adapt to the changing market. Inditex-Zara adapt to the markets with its 8 formulas that targets different target groups with all their own management system. H&M on the other hand just have one main formula, but tries to adapt with the use of changing collections and different clothing lines. Both the case studies however try to adapt to the changing fashion world. Inditex-Zara with its speed of changing the fashion products dependent on the customers tastes and H&M with fashion collections that tries to set a fashion trends among the customers. If we look at the entry strategy both the case studies mainly use acquisition and franchising.

Now is we go to the aspect scale and scope we can see that H&M has a better presence in the Netherlands and is better known in comparison with Inditex-Zara. However Inditex-Zara has a far better international presence around the world than H&M. They have a far bigger portfolio around the world and have entered more countries than H&M. Both criteria’s for the location of the stores is that they need to be located in top A1 locations, that means they have to be located in busy shopping street in the neighborhood of high class shopping brands. The opening hours of both the case studies are dependent on the cities where they are located at. The target group of Inditex-Zara differs slightly per shop formulas and the target groups for H&M are mainly young men and woman who are trend and fashion sensitive. So the target group of Inditex-Zara is in comparison with H&M broader, because of the different shop formulas it has.

If we look at the business process Inditex-Zara has its own business model were the time factor is the most important. In particular this means the shortening of the business process so Inditex-Zara can have an advantage. When reacting to the changing fashion trends Inditex-Zara is one of the first to come up with their fashion collection. The time factor is considered above the production costs so that they have a speed advantage in comparison with other competitors. Their collection changes faster than H&M, who changes its collection only based on the seasons, whereas Inditex-Zara can change its collection every week if they want. H&M on the other hand has very few middlemen and buys in large volumes at the same time, but the production process of H&M is still longer than that of Inditex-Zara. This is because Inditex-Zara has an in-house production and the manufacture of the products of H&M on the other hand is being outsourced. This leads to a longer production process in comparison with Inditex-Zara- Zara.
Now if we look at the characteristics mentioned for the cluster “Aggressive Internationalists” in the model of Treatgold we can find some aspects than can explain part of the research results on the five research variables. First the “Aggressive Internationalists” have a multinational geographical spread, this means they have a worldwide presence around the world. In this case both Inditex-Zara and H&M are world players with stores around the 4,5 continents. With their worldwide international presence that they have achieved they certainly have a focus on scale and scope and brand control. This means that they have a worldwide portfolio with focus on A1 locations etc. Also in the model of Treatgold the cluster “Aggressive Internationalists” have more specialized in the luxury goods, see figure 7.6. Both Inditex-Zara and H&M have specialized in the fashion branch with specific target groups. This can explain their trend sensitive product collection. Operating in the luxury goods, in this case fashion clothes have required both cases studies to adapt to changing fashion trends to meet the requirements of their customers. Also their focus on a shorter business process can be explained with the model of Treatgold and Hollander so that they can react quicker on be a step ahead of other competitors.

The cluster “Aggressive Internationalists” has retained high levels of control over its operations but has expanded into a wider variety of markets. This can both be seen in the case Inditex-Zara and H&M. Both have used a high cost/control entry strategy. They mainly expand through wholly owned subsidiaries and have retained high levels of control over its operations worldwide.

Now if we look at the characteristics of this cluster. The “Aggressive Internationalists” represents a cluster that an increasing number of retailers aspire towards. This cluster is populated by retailers whose corporate ambition of achieving a prominent international presence has been realized. These retailers occupy substantially similar niches in a highly diverse range of trading environments. Her again, however, there is a substantial unwillingness to weaken control over overseas interests. Both the case studies Inditex-Zara and H&M meet these characteristics. They have already achieved an international presence that many retailers aspire towards and both occupy substantially similar niches in a highly diverse range of trading environments, namely the fashion branch. With this Inditex-Zara and H&M indeed fits in the characteristics of the cluster “Aggressive Internationalists” in the model of Treatgold and the research results found can be represented in this model.
<table>
<thead>
<tr>
<th><strong>INDITEX-ZARA</strong></th>
<th><strong>H&amp;M</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation</strong></td>
<td></td>
</tr>
<tr>
<td>• Several shop formulas (Zara, Bershka, Zara Home, Oysho...)</td>
<td>• Product collection (Fashion designers, Jimmy Choo...)</td>
</tr>
<tr>
<td>• Desire for innovation and constant improvements in management process</td>
<td>• Web distribution and magazine</td>
</tr>
<tr>
<td><strong>Brand control</strong></td>
<td></td>
</tr>
<tr>
<td>• Well known in Spain, less in NL</td>
<td>• Most well known in fashion industry NL</td>
</tr>
<tr>
<td>• Changing fashion collection</td>
<td>• Balance price and fashion</td>
</tr>
<tr>
<td>• Strong focus on architectural shop design</td>
<td>• Strong focus on window design</td>
</tr>
<tr>
<td><strong>Adaptation</strong></td>
<td></td>
</tr>
<tr>
<td>• 8 formulas with different target groups</td>
<td>• Changing collection dependent on seasons, different clothing lines</td>
</tr>
<tr>
<td>• New products twice a week, trends sensitive</td>
<td>• Trends and fashion</td>
</tr>
<tr>
<td>• Acquisition and franchising</td>
<td>• Acquisition and franchising</td>
</tr>
<tr>
<td><strong>Scale and scope</strong></td>
<td></td>
</tr>
<tr>
<td>• Strong international presence (5 continents around the world)</td>
<td>• Strong international presence (4 continents around the world)</td>
</tr>
<tr>
<td>• Less focus in NL (23 stores in NL)</td>
<td>• Ranked number one in NL in the fashion branch</td>
</tr>
<tr>
<td>• A1 locations (shopping districts in big cities)</td>
<td>• A1 locations (shopping districts)</td>
</tr>
<tr>
<td>• Opening hours dependent on city</td>
<td>• Opening hours dependent on city</td>
</tr>
<tr>
<td>• 8 formulas</td>
<td>• Trend sensitive target group</td>
</tr>
<tr>
<td><strong>Business process</strong></td>
<td></td>
</tr>
<tr>
<td>• Business model Inditex-Zara (customer, store, design/production, logistics and teams)</td>
<td>• Season collection (3 months)</td>
</tr>
<tr>
<td>• Time above costs</td>
<td>• Few middlemen</td>
</tr>
<tr>
<td>• In-house production</td>
<td>• Buying in large volumes</td>
</tr>
<tr>
<td></td>
<td>• Manufacture products is outsourced</td>
</tr>
</tbody>
</table>

Figure 7.7 Cross case analysis, “Aggressive Internationalists”
7.3 Comparison Emboldened and Aggressive Internationalists

After we have taken a look at the main points of the research from both the case studies of the “Emboldened Internationalists” and the “Aggressive Internationalists” we will now try to find the similarities and differences between the two clusters. The similarities and differences discussed about in this chapter are mainly conducted from the research results of the case studies. These results are generalized and used to represent the two clusters in the model of Treatgold. However these comparisons made in this chapter cannot be said to be valid for all the retailers in these two clusters. This comparison is only made as an attempt to get some general conclusions that could concern the two clusters. In figure 7.8 you will see in main points the research results of the “Emboldened Internationalists” and “Aggressive Internationalists” beside each other that can be said with the use of the research results in this project. The main results for the research variables of each cluster have been found with the use of generalizing the main conclusions from the two case studies separately. I have tried to summarize the main points found from the two case studies in each cluster and the results will be discussed in this chapter.

In figure 7.8 you can see that both the clusters have a similar focus on innovation. Be it in the store concepts, formulas, product collection or in the marketing and distribution process. If we look at the variable brand control however there are some differences between the two clusters. Both clusters have their focus mainly in their domestic markets, but in the cases of the Emboldened internationalist both Ahold and Maxeda have their domestic market is the Netherlands and in the case of the “Aggressive Internationalists” Inditex-Zara and H&M their domestic market is not the Netherlands, but they still have established a brand in the Netherlands.

If we look at the store design we also see a big difference. In the case of the “Aggressive Internationalists” they have a strong focus on their shop and window design. In their cases the appearances of their stores (window display, exterior and interior store) function as a distribution skill. Their stores reflects their status and current collection and functions as their main advertisement. That is why the “Aggressive Internationalists” have a stronger focus on their shop and window design than the “Emboldened Internationalists” who have a central shop design that is more or less the same everywhere. Another difference is that the “Emboldened internationalists” are well known by their own products. You can think of the “AH huismerk”, “AH excellent”, “AH Puur&Eerlijk” and the “Euroshopper” which is distributed by Ahold. These products also function as a brand in the collection. While in the case of the “Aggressive Internationalists” it is not only the product but the whole collection that they were well known by. People don’t go there to buy a specific product but go there to follow the latest trends on the area of fashion. A result is also that the collection of products by the “Aggressive Internationalists” is more trends sensitive than the products of the “Emboldened Internationalists”.

Now if we look at the variable adaptation some differences and similarities can be seen between the two clusters. First their adaptation of the collection. The “Emboldened internationalists” in most cases just slightly adapt their collection in other countries, because the countries they have entered can be more or less compared to their domestic market. These countries have the same social economic condition. Therefore they strive to use the same collection as much as possible with the slightest changes. This is why they chose their markets carefully beforehand. The collection of the “Aggressive internationalists” on the other hand responds to the market and is not scared of changing their collection. They change their collection after a short period of time to match the demands of their customers and market conditions. This is mainly because in the case studies of the “Aggressive Internationalists” they work in the fashion branch and they are greatly affected by the
latest fashion trends. This is why they have no choice but to adapt to the market over and over again. So they are dependent on the market preferences and the latest trends. The "Emboldened internationalists" are less trends sensitive and change their collection after a regular period of time. Their collection consists mainly of a basic collection accompanied with some products that changes faster and is more trends sensitive. The collection of the "Emboldened internationalists" is mainly a basic collection in comparison with the “Aggressive Internationalists” whose collection consists mostly out a whole collection that is trend sensitive. The basic collection of the “Emboldened internationalists” is never out of stock. So these products are refilled on regular time to guarantee they are not out of stock. A similarity is that both the clusters use more or less the same entry strategies. For both clusters the main entry method is through acquisition and franchising-joint/venture. In both the cases they use franchising or joint/venture in countries that they are less familiar with so that they can count on a more knowledgeable partner. In countries where they are more familiar with or which are more geographical close to their own domestic market they will often go through with acquisition.

Now if we look at the fourth research variable scale and scope we can conclude that the “Emboldened Internationalists” have a stronger presence in their domestic market, which is the Netherlands in this case in comparison with the “Aggressive Internationalists” in the Netherlands. The case studies of the “Emboldened Internationalists” Ahold and Maxeda have more stores in the Netherlands in comparison with the case studies of the Aggressive internationalist Inditex-Zara and H&M. The “Aggressive Internationalists” on the other hand have a greater international presence around the world, have entered more markets and have a bigger portfolio than in comparison with the case studies of the “Emboldened Internationalists”.

A similarity between the two clusters is that in both clusters their case studies choose their location of their stores only in A1 locations. That means busy shopping streets along with other famous brand stores or in areas where there are a lot of potential customers, like the living areas for Albert Heijn. Also their opening hours in both the cases are dependent on the locations and they adjust their opening time based on the other stores around them. A difference is that the products of the “Aggressive Internationalists” are more specialized in comparison with the “Emboldened Internationalists”. That is why the target group of the “Aggressive Internationalists” is also less broad than the “Emboldened Internationalists”. The target group of the “Aggressive Internationalists” just focuses on a small potential group. In this case more the fashion, sensitive group. On the other hand in this case the "Emboldened internationalists" have a broader target group and focus on the whole group. That is why their product collection has a broader range so that all customers can obtain what they want in their stores.

Now the last variable the business process that we will talk about. The cases studies Inditex-Zara and H&M in the “Aggressive internationalists” have a stronger focus on a faster operation process. They focus on shortening the process between design and distribution so that they can respond faster to changing customer preferences and changing markets. The “Emboldened internationalists” on the other hand operate on a regular basis, they refresh their products following a schedule on regular time basis. They are less trend sensitive, because they mainly consists of a basic collection, that is why they have less focus on a faster operation process. They are more interested that there is a balance in their products and that their products are not out of stock. This is a big difference with the “Aggressive Internationalists” who consist of more specialized products that in most cases won’t be reproduced. For an overview of the main points discovered during the research between the two clusters you can look at figure 7.8.
7.4 Conclusions

If we compare the “Emboldened Internationalists” and “Aggressive Internationalists” there can be some similarities and differences found in their focus on internationalization strategies between the five research variables innovation, brand control, adaptation, scale and scope and their business process. In figure 7.9 you can see in a scheme the main similarities and differences in the internationalization process between the two clusters.

Similarities are that during the internationalization process they both have a focus on innovation in their management processes. Be it on the shop design, shop formulas, formats, product collections
or business process. Also they use the same entry strategies to enter a new market. This is for both mainly through the use of acquisition and franchising. For choosing the locations of their stores in both their domestic market and foreign markets they will only open stores in A1 locations in busy shopping streets or areas where a lot of potential customers will gather. As for the opening hours for both the clusters they don’t difference much from each other. For both clusters the opening hours depend on the city, location or country where they are situated.

For the differences between the clusters there are differences in aspects in the variables brand control, adaptation, scale and scope and business process. First if we look at the brand control there is a difference on the aspects of the familiarity of the brand in the Netherlands. The main difference between the case studies of the two clusters is that the domestic market of the “Emboldened Internationalists” is the Netherlands. That is maybe a reason why the “Emboldened Internationalists” are better known than the “Aggressive Internationalists” in the Netherlands in this case. The second difference is the shop design. The “Emboldened Internationalists” have a central shop design. This means that all the shops in their portfolio look more or less the same, with the same façade and appearance. The “Aggressive Internationalists” on the other hand also have a central shop design, but they have a stronger focus on individual exterior and interior architectural shop and window design. Thus within the same central shop design they have more flexibility to concentrate on more innovative shop design.

The third major point is that the collection of the Emboldened internationalist consist more of a basic collection than the collection of the “Aggressive Internationalists” who in this case consist of a fashion collection, which is more trend sensitive. This was also one of the reasons why the “Emboldened Internationalists” strive to adjust their collection as little as possible than in the case of the “Aggressive Internationalists” who changes and adapts its collection more often. Also the “Emboldened Internationalists” change their products after a regular time to make sure their products are not out of stock. The time the collection of the “Aggressive Internationalists” change is more dependent on the market changes. They can change a whole collection if it is necessary and therefore not dependent on a regular time basis, their collection is more trend sensitive.

If we look at scale and scope there is a difference between the two clusters. The “Aggressive Internationalists” has a far bigger portfolio than the “Emboldened Internationalists” and their international presence is also greater, they have entered more foreign countries. However the scale and scope in the Netherlands, which in this case is the domestic market of the “Emboldened Internationalists” is greater than the “Aggressive Internationalists”. In this case the “Emboldened Internationalists” are far more dominant in the Netherlands.

If we look at their target group the “Emboldened Internationalists” has a broader target group in comparison with the “Aggressive Internationalists” who have more specialized products and shop formulas. They have a target group who are in comparison more a selection of the population. The last main difference is in the business process. The “Aggressive internationalists” have a far better focus on shortening the production process in comparison with the “Emboldened Internationalists”. A reason is that the “Aggressive Internationalists” needs to adapt quicker to market changes because of their trend sensitive target group and specialized collection. Therefore they have a greater focus
on shortening the process so that they can react quicker on market and customer changes. In these cases they also have their own business model to achieve this.

<table>
<thead>
<tr>
<th>EMBOLDENED INTERNATIONALIST</th>
<th>AGGRESSIVE INTERNATIONALISTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td>• Store concepts/formats/formulas/product collection</td>
<td>• Domestic market is not NL</td>
</tr>
<tr>
<td>• Marketing and distribution channels</td>
<td>• Strong focus on individual store/window design</td>
</tr>
<tr>
<td>• Focus on domestic market NL</td>
<td>• Products trend sensitive</td>
</tr>
<tr>
<td>• Central shop design</td>
<td></td>
</tr>
<tr>
<td>• Products less trends sensitive</td>
<td></td>
</tr>
<tr>
<td>Brand control</td>
<td></td>
</tr>
<tr>
<td>• Slight changes in collection</td>
<td>• Changing collection</td>
</tr>
<tr>
<td>• New products after a regular period of time</td>
<td>• New products dependent on market changes</td>
</tr>
<tr>
<td>• Basic collection (never out of stock)</td>
<td>• Trend sensitive collection</td>
</tr>
<tr>
<td>Adaptation</td>
<td></td>
</tr>
<tr>
<td>• Acquisition/ franchising/joint-venture</td>
<td></td>
</tr>
<tr>
<td>Scale and scope</td>
<td></td>
</tr>
<tr>
<td>• Strong focus in NL</td>
<td>• Strong focus in domestic market, but strong international presence</td>
</tr>
<tr>
<td>• Broad target group</td>
<td>• Specialized target group</td>
</tr>
<tr>
<td>Business process</td>
<td></td>
</tr>
<tr>
<td>• Less focus on shortening business process (regular basis)</td>
<td>• Own business model</td>
</tr>
<tr>
<td>• Balance in products/collection</td>
<td>• Focus on short production process</td>
</tr>
<tr>
<td>• A1 locations</td>
<td>• Specialized products</td>
</tr>
<tr>
<td>• Opening hours dependent on city</td>
<td></td>
</tr>
</tbody>
</table>

Figure 7.9 Similarities and differences “Emboldened Internationalists” and “Aggressive Internationalists”
After discussing the differences between the two clusters “Emboldened Internationalists” and the “Aggressive Internationalists” I want to reflect on the positioning of the case studies in the model of Treatgold. For this research project we have used the clustering of international retailers based on the model of Treatgold. Treatgold’s typology of transnational retailing is based on entry and operating strategy and geographical presence of international retailers. In Treatgold’s model there are four clusters mentioned: the Cautious Internationalists, the Emboldened Internationalists, the Aggressive Internationalists and the World Powers. Below I will give you a small summary of these four clusters again. For more information you can refer to chapter 1.2 Research project.

- Cluster One, “The Cautious Internationalists”, this group was distinguished by their retention of high control in the international market and a limited international market presence, typically in familiar trading environments. Most of the retailers in this cluster have relatively little experience of operating outside their domestic market place and are demonstrably prepared to pay substantially to take over an existing business and its accumulated expertise and local knowledge.

- Cluster two, “The “Emboldened Internationalists””, this group retailers continue to exercise high control and therefore incur high entry costs but have gone through the longevity of their international expansion and begun to move into markets which are remote both culturally and geographically. Retailers in this group generally have a longer history of trading internationally than do those in Cluster One.

- Cluster Three, “The “Aggressive Internationalists”” represents a cluster that an increasing number of retailers aspire towards. This cluster is populated by retailers whose corporate ambition of achieving a prominent international presence has been realized. As such, these are often experienced internationalists. These retailers occupy substantially similar niches in a highly diverse range of trading environments.

- The last cluster, cluster four “The World Powers” have used low control methods of market entry and have therefore established a presence in a very high number of markets around the world. Retailers in this cluster have employed a low cost/low control strategy to rapidly establish a truly global presence. World powers are able to exercise a high level of control over their supply chains.

For this research we have looked at the differences and similarities between the two clusters “Emboldened Internationalists” and “Aggressive Internationalists”. We have done this with the use of two case studies per cluster. We have looked at international retailers Ahold and Maxeda for the “Emboldened Internationalists” and Inditex-Zara and H&M for the “Aggressive Internationalists”. I selected these case studies per cluster based on their international ambition and presence around the world. We will now reflect again on their position in the model of Treatgold.

Based on their high cost entry strategies, in most cases acquisition and not franchising, and their degree of worldwide domination, the cases named above still have some ways to go to be considered in the cluster of “World Powers”. In the cluster of “World Powers” you can find more retailers such as Mac Donalds, Ikea etc. The same is the case with the “Cautious Internationalists”.

The retailers in this cluster have a more concentrated geographical spread, which means that they have a strong domestic market and have just expanded to countries in the direct boundaries with more or less the same social, economic conditions. You can say that these retailers are more or less in the begin phase of internationalization and world domination is not their goal, which is in contrast of the selected cases above. Based on this the selected cases also don’t belong the cluster “Cautious Internationalists”.

The selected cases for this research, Ahold, Maxeda, Inditex-Zara and H&M have not achieved the worldwide presence yet, but their ambition certainly is, especially for the cases Inditex-Zara and H&M. These two cases have already achieved a presence in about 4,5 continents around the world and their brand are internationally well known. Based on this they belong to the cluster of “Aggressive Internationalists”. From their past expansion history till recent years they still grow steadily every year and opens stores in existing and new markets. If we look at the coming years we can assume that they will still grow steadily and will strengthen their presence in their already existing markets and the new markets they enter. With this we can assume that both Inditex-Zara and H&M will grow in the cluster of the “Aggressive Internationalists” in their geographical spread, but they will more or less stay in this cluster in the future. The possibility to step over to the cluster of “World Powers” is relatively small, because otherwise they will have to turn their business model upside down to reach a more cost efficient entry strategy. This possibility isn’t considered very realistic, because in the fashion industry they will have to cope more with trend sensitive developments, like the latest fashion trends that is not set out for a low cost/control entry strategy as in the case of the “world powers”. So in the cases of Inditex-Zara and H&M they will more or less stay in the cluster of “Aggressive Internationalists”, see figure 7.10. In this figure the equal sign behind Inditex-Zara and H&M means that for the coming years these two will likely stay in the same cluster.

As for the cases Ahold and Maxeda the story is different. Despite that they aren’t belonging to both the clusters “World Powers” and “Cautious Internationalists” in the model of Treatgold they certainly don’t belong to the “Aggressive Internationalists” as in the case with Inditex-Zara and H&M. Both Ahold and Maxeda only has an international presence in about one or two continents and their name is more locally known than international. In this case they belong more to the cluster of the “Emboldened Internationalists”. They expand more to the countries with more or less the same social economic conditions, but are gradually trying to expand to other countries and continents step by step. However if we take Ahold for example, in the past Ahold had a more aggressive approach. Ahold’s ambition was to conquer all the east coast side of America. This company grew 10 per cent a year by that time. The speed in which they were growing and the ambition to become the best food retailer in the world nearly led them into the world of the “Aggressive Internationalists”. Ahold became the third food retailer of the world, after Wall-mart and Carrefour. The international presence and brand was certainly growing of this company. But nowadays after the scandal in 2003, Ahold has a more cautious position in the market. Ahold’s international strategy has become more cautious. Now this company focuses strongly on attaining back the trust of the customers they once had and their position in the markets. This company has withdrawn in some markets along the way and has more focus on their domestic market now. So Ahold’s internationalization strategy has become from a more aggressive approach to a more cautious approach now. Taken all this in account Ahold still belong more to the cluster “Emboldened Internationalists”, based on their
international presence and name in the world. In figure 7.10 you can see the developments in the model of Treatgold. Behind Ahold you can see an arrow with a stroke in it. This arrow suggest the movement it once had shifting lower in the model of Treatgold towards the cluster of “Aggressive Internationalists” and now with the stroke in the arrow meaning the change in internationalization strategy and maintaining in the cluster of the “Emboldened Internationalists”.

If we look at the last case Maxeda, they have in contrast with Ahold a more cautious approach of internationalization and have steadily grew to neighboring countries in Europe. Nowadays they have a presence in mainly Europe and they have plans to steadily grow in these existing markets and some new plans to enter markets like the Baltic States and America. But these plans are still far away and they mainly focus on strengthening their presence in the markets that already exists. With this their international presence will more or less stay the same for the coming years and there aren’t any signs that this will change either. With this Maxeda will stay in the cluster of the “Emboldened Internationalists” for the coming years. Otherwise the entry strategies of Maxeda needs to be changed to be more aggressive for the coming years, but with the way things are working in the company now I assume that this will not be the case in the short time.

Figure 7.10 Reflection on the position in the model of Treatgold for the coming years
8. Conclusions and recommendations

In this chapter the research questions at the beginning of this report will be answered. Also recommendations will be given to the separate case studies based on the research results of the previous chapters. At last besides the individual recommendations some general recommendations will be given.

8.1 Motive internationalization process

This internationalization process has an increasing influence on corporate strategies and has extended its effects on the development of the retail sector. The motive why retailers decide to internationalize can be for different reasons. For the one retailer it is because of their growing potential and the limited opportunities in the home market and for the other retailer it is mainly for increasing their dominant position in the rest of the world and for others it can mainly be only for financial advantages. In this chapter we want to discuss the reasons why the researched case studies have decided to internationalize.

If we look at Ahold their motive to internationalize came from their ambition to be the best retailer of the world. In every country they had entered they aimed to be the best food retailer there. They achieved this with their dominant position in the market. In the food retail branch Ahold was once placed in the top three after main chains Wal-mart and Carrefour. Ahold with their ambition wanted to be one of the top food retailers in the world. Because of this great ambition they have they decided to internationalize and achieve this world position. The quickest way for Ahold to expand was through acquisitions.

Maxeda had another motive to decide to internationalize in comparison with Ahold. For Ahold it was mainly because of their ambition to become a worldwide food retailer and for Maxeda it was mainly because of the financial growing capacities. Main chains of Maxeda like Hunkemöller showed limited growing opportunities in their domestic markets. These chains had more growing opportunities outside their domestic market and this formed the main motive for their internationalization process in Belgium, France etc. The main difference between Maxeda and Ahold is that Maxeda just decide to expand if it is financial attractive and for Ahold there was an urge to expand so that they became a step closer in becoming a dominant food retailer and used a more aggressive approach. In recent years Maxeda had made less profit than the other years which is part of the recession. Maxeda stays that it is doing well in a poor tendency of the market. But in recent years we can also see that Maxeda has undertaken less internationalization attempts, also properties of Maxeda have been sold and needs to be rented back instead. This also shows that Maxeda has mainly a financial perspective.
and look for the revenues on the short term instead of worldwide domination. This is maybe also one of the why Maxeda has less internationalization attempts.

For both Inditex-Zara and H&M they have undertaken their internationalization attempts to increase their brand in other countries. Both Inditex-Zara and H&M had already achieved a dominant brand status in their domestic market. Their next attempt was to introduce their brand in other cities that were known in the world of fashion, like Paris and London. They wanted to achieve brand awareness also in the foreign countries. To achieve this they have taken this step by step and gradually became well known in the countries they have entered. Their brand and shop became gradually well known around the world.

We have to take into account that the internationalization process can also be in indicated in several forms. Retailers can participate in the internationalization process by adding more shops in their portfolio. Retailers can also expand in foreign countries with the use of acquisitions. Also corporation and joint-ventures can be a form of entry mode in the internationalization process. At last also advising companies in the internationalization process can be addressed as the internationalization process self. In the case of Ahold it is mainly through acquisitions and cooperation with other chains and for Maxeda, Inditex-Zara and H&M were their brand awareness is really important, they will expand with mainly the use of opening more shops and in some case like with Maxeda with acquisitions. Advisory is in this case not the form used by the case studies and therefore not discussed in this project.

8.2 Conclusions

Before answering the research questions we will first discuss the difference in standards we have used in the definitions in the coming text so that misunderstandings can be prevented. These differences in standards are mainly meant for definitions like more focus on or a higher degree of control of etc. These standards are mainly used with the combination of one of the five research variables. In the table below you can look at the aspects and see what in general is meant with the definition high degree of control or strong focus etc.

<table>
<thead>
<tr>
<th>High degree of control</th>
<th>Low degree of control</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ focus</td>
<td>+</td>
</tr>
<tr>
<td>-- Less focus</td>
<td>-</td>
</tr>
<tr>
<td>Innovation</td>
<td>Introducing new store concepts</td>
</tr>
<tr>
<td></td>
<td>Desire for innovation and improvement</td>
</tr>
<tr>
<td></td>
<td>Innovative marketing concepts</td>
</tr>
<tr>
<td>Brand control</td>
<td>Brand awareness of product collection</td>
</tr>
<tr>
<td></td>
<td>Well-known in countries</td>
</tr>
<tr>
<td></td>
<td>International brand</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Changing collection</td>
</tr>
<tr>
<td></td>
<td>Following trends</td>
</tr>
<tr>
<td></td>
<td>Introducing new formats</td>
</tr>
<tr>
<td>Scale and scope</td>
<td>High number of stores</td>
</tr>
<tr>
<td></td>
<td>International presence (4,5 continents)</td>
</tr>
<tr>
<td></td>
<td>Strategic locations</td>
</tr>
<tr>
<td>Faster operation</td>
<td>Few middlemen</td>
</tr>
<tr>
<td></td>
<td>Short production process (in-house production)</td>
</tr>
<tr>
<td></td>
<td>Fast response to market change</td>
</tr>
</tbody>
</table>

Table 8.1 Table with difference in standards

- No changes in store concepts
- No changes in business process
- No desire for innovation and improvements
- Well known mostly only in their domestic market
- Local brand
- Basic collection
- Same format in years
- Less number of stores
- International presence (1,2 or 3 continents)
- Standardized production process
- (production being outsourced)
It is now time to answer the research questions made at the beginning of the process in chapter one. The main research question for the research project is as follows:

**How can we with the use of the model of Treatgold increase the insight in the real estate strategy of retail firms?**

We will first answer the six sub research questions.

1. **What are the differences in real estate management between the “Emboldened Internationalists” and the “Aggressive Internationalists”?**

The first question is about the differences in real estate management between the “Emboldened Internationalists” and the “Aggressive Internationalists”. In chapter 7.3 and 7.4 a comparison and conclusions have been made about the similarities and differences in real estate strategy between the two clusters. A summary about is as follows, similarities are that during the internationalization process both clusters have a focus on innovation in their management process. Be it on the shop design, shop formulas, formats, product collections or business process. Also they use the same entry strategies to enter new markets. This is for both mainly through the use of acquisition and franchising. For choosing the locations of their stores in both their domestic market and foreign markets they will only open stores in A1 locations in busy shopping streets or areas where a lot of potential customers will gather. As for the opening hours for both the clusters they don’t difference much from each other. For both clusters the opening hours depend on the city, location or country where they are situated.

For the differences in real estate management between the clusters there are differences in aspects in the research variables brand control, adaptation, scale and scope and business process. First if we look at the brand control there is a difference on the aspects of the familiarity of the brand in the Netherlands. The “Emboldened Internationalists” are in general better known than the “Aggressive Internationalists” in the Netherlands. If we look at the results of the questionnaire in appendix VII most of the participants stated that they were more familiar with the case studies Ahold and Maxeda than Inditex-Zara and H&M. The second difference is the shop design. The “Emboldened Internationalists” have a central shop design. The “Aggressive Internationalists” on the other hand despite having a central shop design also have a focus on the individual exterior and interior architectural shop and window design. The third major difference is that the collection of the “Emboldened internationalists” consist more of a basic collection than the collection of the “Aggressive Internationalists” who in this case consist of a fashion collection, which is more trend sensitive than the basic collection because it follows the latest fashion trends. Also the “Emboldened Internationalists” change their products after a regular period of time to make sure their products are not out of stock. If we look at scale and scope there is also a difference between the two clusters. The “Aggressive Internationalists” have in general a bigger portfolio than the “Emboldened Internationalists” and their international presence is also greater, they have entered more foreign countries. Maxeda for example has 1.368 stores in total in 2009/2010 and entered 7 countries, Inditex-Zara has 4.607 stores in total in 74 markets and H&M has 2.000 stores spread over 37

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markets. Ahold however owned 3,500 stores and 3,000 through joint venture partners. They have more stores than Maxeda and H&M. However Ahold has entered fewer markets. Ahold has operations in 11 countries, with two continental platforms: Europe and United States. This difference in number of stores can be explained in the difference in branch. Ahold, who operates in grocery retailing has in general more concentrated stores in market than fashion retailers like H&M, whose stores can only be found in the shopping districts in the city. Ahold on the other hand whose stores mainly operate as supermarkets are needed not only in the city center but almost everywhere in living areas. A comparison between the food and non-food in this case isn’t that easy to conduct. Many grocery retailers have either remained within their national markets internationalized into a relatively limited number of markets. Another difference is where non-food retailers have developed a world presence they have often operated only a limited number of outlets in the markets they serve, whereas food retailers have been forced, by the very nature of their business, to develop a considerable presence in order to compete effectively. Because of the complicated nature of the differences between these two branches we strive only in this research to conclude some general assumptions that we can make about the cluster “Emboldened Internationalists”. For this reason maybe the comparison made in table 8.2 isn’t that well grounded. For a more valid comparison more case studies needs to be conducted. However if we look at the research variables, the research results made in table 8.2 for the cluster “Emboldened Internationalists” applies to both the case studies Ahold and Maxeda despite the difference in branch. They both have the same principles in innovation, store design, brand control and business process. The only differences are in the locations of their stores and target group. In general this hasn’t affected the comparison between the two clusters that much.

Despite that the “Aggressive Internationalists” in general have more focus on scale and scope than the “Emboldened Internationalists” as discussed above the focus on scale and scope in the Netherlands is still different. The focus on scale in scope of the “Emboldened Internationalists” in the Netherlands, which in this case is the domestic market of the “Emboldened Internationalists” is greater than the “Aggressive Internationalists”. In this case the “Emboldened Internationalists” are far more dominant in the Netherlands, they have more stores established in the Netherlands. If we look at their target group the Emboldened Internationalist has a broader target group in comparison with the “Aggressive Internationalists” who have more specialized products and shop formulas. The last main difference is in the business process. The “Aggressive internationalists” have a far better focus on shortening the production process in comparison with the “Emboldened Internationalists”. For the similarities and difference in focus on the differ aspects you can look at table 8.2. For this table you have to keep in mind that the results are made mainly based on the case studies Ahold, Maxeda, Inditex-Zara and H&M. These results have been tried to generalize in the two clusters, but you have to keep in mind that these results are only based on the mentioned case studies and therefore does not necessary have to apply to all the retailers. However these results give you an appropriate starting point to note the similarities and differences between the two clusters.

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Table 8.2 Difference in real estate strategy between the “Emboldened Internationalists” and “Aggressive Internationalists”

<table>
<thead>
<tr>
<th></th>
<th>“Emboldened Internationalists”</th>
<th>“Aggressive Internationalists”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Shop design</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Formula/format</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Product collection</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Business process</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Brand control</td>
<td>+(Domestic market)</td>
<td>+(Worldwide)</td>
</tr>
<tr>
<td>Well-known in NL</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Individual shop design</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Product loyalty</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Adaptation</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Entry strategy</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Product collection</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Format</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Scale and scope</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>A1 location</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Opening hours</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Number of stores</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Target group</td>
<td>+ (broad)</td>
<td>++(more specialized)</td>
</tr>
<tr>
<td>Faster operation</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Short production process</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Fast response to market</td>
<td>+</td>
<td>++</td>
</tr>
</tbody>
</table>

2. **What can be improved on the real estate management in general and in the separate case studies during the internationalization process?**

The second research question focus on what can be improved on in real estate management of the different case studies individually during the internationalization process and general recommendations on real estate strategy during the internationalization process. In the coming chapters 8.3 till 8.6 recommendations will be given for each case study separately. Chapter 8.7 states the general recommendations. These recommendations are mainly given on the aspects of the five research variables innovation, brand control, adaptation, scale and scope and faster operation, but also on real estate aspects like location, size/number, architecture, rent/ownership, new or existing buildings and competition/supply.

3. **Do “Emboldened Internationalists” focus more on innovation and adaptation then the “Aggressive Internationalists”?**

Now if we look at the third research question if both clusters have a difference in focus on the variables innovation and adaptation. Both clusters have more or less an equal focus on innovation. For both clusters they have a desire for innovation and constant improvement. During the years retailers in both clusters came up with innovative ideas to attract customers or open up new markets. The methods used by the retailers in the two clusters can be different, but they both make place for innovative ideas in their real estate strategies.

However if we look at the variable adaptation there exists a degree in difference in focus on this aspect. If we look first at the cluster the “Emboldened Internationalists” they have a detached behavior about changes. They operate more in general retailing with a broad product collection. This product collection they have won’t be adapted that much when they enter a new market. Also their
real estate assets all have a central shop design. The way how things works for this cluster is more or less standardized. The “Aggressive Internationalists” on the other hand operate more in specialized products that require them to react to the changing needs of the market and customers. Because of this the real estate strategy also differs from each other. Real estate assets in the cluster of the “Aggressive Internationalists” are less standardized than the “Emboldened Internationalists”. The shops and products of the “Aggressive Internationalists” have a more distinctive character that attracts a certain target group. Therefore they have more focus on the individual shop design.

4. Do “Aggressive Internationalists” focus more on brand control, scale and scope and faster operations then the “Emboldened Internationalists”?

The fourth research question is about the difference in focus on the variables brand control, scale and scope and faster operation between the two clusters. First brand control, there certainly is a difference in degree of brand control. The “Aggressive Internationalists” have a higher degree of brand control that led them to their international acquaintanceship. If retailers have a high degree of brand control they have a strong focus on their brand awareness. Their ambition is that their brand is well-known among the people. They can achieve this by advertisements using the media or their own shops. The cluster “Aggressive Internationalists” have reached a worldwide international presence and have acquired an international brand. They are a dominant retailer that has reached worldwide recognition.

The “Aggressive Internationalists” also have a stronger focus on scale and scope. Because of their international brand they can also afford to open up more stores. Through the expansion process they now have a worldwide portfolio around 4 or 5 continents. The “Emboldened Internationalists” also have a focus on scale and scope, but the focus is more in their domestic markets, while in the case of the “Aggressive Internationalists” they have beside their domestic market a strong focus on scale and scope outside their domestic market.

There is a strong difference on the focus on the research variable faster operation between the two clusters. The “Aggressive Internationalists” have a stronger focus on a faster business operation. This is because they can react quicker on changing market demand and trends. Because they operate more on specialized products they needs to make sure their products keeps being interesting for the market. In the case studies Inditex-Zara and H&M of the “Aggressive Internationalists” they both work in the fashion industry. That is why they need to follow the latest fashion trends and a shorter business gives them an advantage over other competitors. The “Emboldened Internationalists” on the other hand operate more in general products that need to be supplemented so that products are not out of stock. For such a process they don’t necessary need to put more capital and focus on shortening the process. With a structured business process they will manage it properly in this cluster. That is one of the reasons why the “Emboldened Internationalists” focus less on the variable faster operation.

5. What is the impact of location and entry strategies on the success of the internationalization process?

The fifth research question is about the impact of location and entry strategies on the success of internationalization strategies. The decisions made about these aspects are for a main part influenced by the way how companies functions. The impact of location strategies is an important factor for the future developments of a company. After making decisions to enter new market appropriate locations needs to be found to open their stores. These locations are found as the results of various studies done in the market research department of the companies. These include passages count, market research about competitors, rent price etc. After choosing the appropriate real estate
there exists still the question of renting or purchasing the assets. As said before in chapter 2.4 the most important factors in choosing between constructing/renovating, purchasing or renting real estate are:
- How much the real estate meets the purpose of the business activities;
- The availability of the real estate;
- Investments opportunities;
- Risks;
- Costs, revenues and return.
   If all this factors are taken into account a conscious decision can be made.

Also the entry strategy that retailers choose has an influence on the internationalization strategy. Both the clusters tend to have a more high cost/control entry strategy and in this case more the acquisition, wholly owned subsidiary or joint venture is used. For both the clusters a high level of control and involvement is a priority. The three main entry modes that are used by retailers are as follows: licensing or franchising, joint venture and wholly owned subsidiary. What a company chooses to use depends on various aspects, like the familiarity of the market, capital etc. A summary of the three entry modes is as followings:

The lowest level of involvement for retailers is through licensing or franchising arrangement. Licensing arrangement allow a foreign company to use the licensing company’s name. Generally, retail companies use franchising. Through the franchise arrangement, the franchiser gives imitators the right to use the retailer’s name. The retailer in turn gives the franchisee the training needed to run the business. If a retailer has a distinctive retail format and it provides this format to franchisees, the retailer is selling its trade secrets. Franchising may thus be good for short-term profitability, but it makes it difficult for the retailer to enter the market later as a wholly owned subsidiary.

The second level of involvement for a retailer is to enter a joint venture with a company in the destination country. Joint ventures exists when two companies join together to form a new business entity. This type of international involvement offers the company knowledge of the new market.

The last level of involvement is to open a wholly owned subsidiary, the retailer’s own company, in the foreign market. This offers the greatest exposure to the foreign market, and it also provides the greatest opportunity to learn about the new market.

6. Which future developments are affecting the internationalization process and have consequences on their real estate strategies?

The last sub research question is about which future developments are affecting the internationalization process and have consequences on their real estate strategies. In chapter 2.5 you can read the current trends and future developments. Some of these currents trends and future developments can have indeed influence on the real estate strategies of retailers. These future developments are:
- Less branches could be seen in the shopping street
  Branches are disappearing from the Netherlands shopping streets, because of the growing internet-sales. Several shopping branches like music, books and travel are disappearing from the A1-shopping areas and the street runs. The A1 shopping areas will be dominated with more fashion stores.  

77 Vastgoedmarkt, “JLL: Minder branches in winkelstraten”, Vastgoedmarkt/Winkels, November 2009, pp. 63
• Branding and marketing of the shopping street are essential to respond to the wishes and interests of the changing behavior of the consumers.

The municipality, the retailers and the investors have to work together to reach the consumers. The quality of the public space is of great importance to attract successful retailers and to attract consumers. Also other aspects like the location, routing, accessibility and parking facilities as a basis function for the final location and function mix are important aspects.

• Sustainability is becoming an important aspect for investors and project developers.

Sustainability is despite the economic situation, an important aspect for investors and project developers, because of the expected positive effects on the values of sustainable shopping units and to obtain developments right of the municipality.

• Smaller shopping types

Currently, smaller newcomers form the dynamic in the retail sector. These newcomers often offer extra services. They are making buying and experience, they learn from their customers and make friends with them. This is the conclusion from “het Hoofdbedrijfschap Detailhandel (HBD) in their annual trends report.78

• Internet versus physical retailing

An important trend is the up come of the internet distribution channel. This has spatial consequences for the retail stores.

For the researched case studies it is important to keep these latest trends in mind. Ahold and H&M tends to follow these trends, like introducing sustainable products and introducing online shopping etc. in an innovative way, but Maxeda and Inditex-Zara needs to take more into account the latest trends and try to give these trends a space in their business process.

Main research questions:

How can we with the use of the model of Treatgold increase the insight in the real estate strategy of retail firms?

Now to answer the main research question on how we can with the use of the model of Treatgold increase the insight in the real estate strategy of retail firms. Firstly in this research the model of Treatgold is purely used as a categorization of international retailers. By clustering the retailers first it is more structured to categorize the retailers so that separate real estate strategies can be given. The four clusters mentioned in the model of Treatgold differ too much from one another so a better idea is to offer a different real estate strategy for each cluster. In this way more appropriate real estate recommendations can be given and it is better to overlook these recommendations in this model.

If we use the model of Treatgold in this way we can increase the insight in the real estate strategy of retail firms, because never once in the past has been tried to give recommendations based on this clustering. For this research however we have only looked at the two clusters “Emboldened Internationalists” and the “Aggressive Internationalists”. That is why for answering this research question I will only give recommendations on real estate strategy for these two clusters. For the other two clusters “Cautious Internationalists” and “World Powers” recommendations can be given by further research. This research project function only as a begin step of working out the model of

78 Vastgoedmarkt. “Kleine winkels zetten trend in retailmarkt”, Vastgoedmarkt/Landelijk, November 2009, pp. 15
Treatgold by given recommendations of real estate strategy for each cluster of the “Emboldened Internationalists” and the “Aggressive Internationalists”.

Now if we first look at the cluster “Emboldened Internationalists” in general and looking at the five research variables discussed in this chapter they have a focus on all five research variables, see also table 8.2. This cluster has a focus on innovative store concepts and marketing concepts. They have a focus on brand control, but are more known in its domestic market. They have a central shop design and their product collection consists mainly of a broad basic collection. This collection is more or less the same in other markets they have entered with only small adaptations in the collection. They have less focus on adaption than the “Aggressive Internationalists” because they have a less trend sensitive product collection. This is also one of the reasons why they also have less focus on a faster operation. The “Emboldened Internationalists” have expanded into one or two continents with its focus on the domestic market. For more research results of this cluster see chapter 7.

For the cluster “Aggressive Internationalists” they have more focus on the variables adaptation, scale and scope and faster operation than the “Emboldened Internationalists”. The “Aggressive Internationalists” have a focus on innovation and brand control, but their brand is more internationally known than that of the “Emboldened Internationalists”. The “Aggressive Internationalists” also have more focus on individual architecture of the shops than the “Emboldened Internationalists” who has more a central design. If we look at the aspect adaptation the “Aggressive Internationalists” has more focus on it, because they have a more trend sensitive collection than needs to be changed after a regular period of time to adapt to the changing trends. For this reason they also acquire a shorter business process so that they can react quicker to changing needs of the customers and changing trends. This is an important aspect so that they can react quicker than other competitors. As for the aspect scale and scope the “Aggressive Internationalists” has a bigger portfolio than the “Emboldened Internationalists”. They have entered more countries worldwide and are better known. Retailers in this cluster are an important player worldwide who have expanded around the 4 or 5 continents and achieved a worldwide brand.

In figure 8.2 and 8.3 you can see two schemes about the focus of the “Emboldened Internationalists” and the “Aggressive Internationalists” on the five research variables during the internationalization process. As you can see in figure 8.3 the “Aggressive Internationalists” have a stronger focus on the aspects adaptation, scale & scope and faster operation process.
Figure 8.2 Internationalization process of the Emboldened Internationalists

Figure 8.3 Internationalization process of the Aggressive Internationalists
In the next chapter recommendations will be given on real estate aspects for the four case studies. Recommendations on real estate aspects, like location, number of stores, architecture etc. are important for the internationalization strategy, because they determine the real estate strategy that the retailers will use for the coming years and in their turn the internationalization process. Aside from this recommendations will be given for the retail firms on the five research variables innovation, brand control, adaptation, scale and scope and faster operation. For this research project these two aspects will form the basis for the recommendations for the internationalization process of retail firms. For both the clusters “Emboldened Internationalists” and “Aggressive Internationalists” recommendations will be given on these two aspects with regard to their internationalization strategy.

![Figure 8.4 Recommendations aspects for the internationalization process](image)

**8.3 Recommendations real estate strategies Ahold**

Ahold is a dominant food retailer in the markets which the company has entered. In this chapter we will reflect on the real estate strategy and business processes of Ahold on what can be improved on taken into account the five research variables. We will mainly focus on their main formula Albert Heijn, but these recommendations can also be said to a certain degree for the other formulas Ahold possesses.

In 2009, Ahold delivered solid results despite the severity of the economic downturn. They said it was a solid performance in a challenging year. Their achievements demonstrate the benefits of a consistent, customer-focused strategy. They gained market share in the Netherlands and at each of the banners in the United States and improved customer satisfaction, while successfully balancing sales and margin. Consequences for achieving these solid results were cost reduction in their business process. Ahold successfully completed a €500 million cost reduction program at the end of 2009 and announced a new three-year €350 million program to be delivered by the end of 2012.79

Taken these solid performance into account recommendations will be given.

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First if we look at the variable innovation. Albert Heijn has a focus on innovation to keep the interests of its customers. Be it the introduction of new concept stores, like AH XL and AH to go, or new marketing concepts. If Albert Heijn and other formulas of Ahold maintain the focus they now have on the aspect innovation there is no need to improve on this aspect.

Albert Heijn also has a focus on brand control. They are a dominant brand in the grocery branch. This is because of their long history in the Netherlands, their great number of stores and their broad assortment etc. Important is however how to keep their dominant brand. For Albert Heijn it is important that they can maintain their customers’ loyalty and reach them with their stores and products assortment. They can achieve this by maintaining affordable prices, quality products and a high number of shops dispersed strategically in the Netherlands, so that they remain as a dominant player in the supermarket branch.

Albert Heijn has a high number of stores in the Netherlands, 829 stores in total of Albert Heijn (AH 754, AH to go 45, AH XL 30). In the last years the number of stores has only increased in the Netherlands. From the year 2001 till 2007 the regional dispersion is getting higher, see also figure 8.5, this figure includes the dispersion from Albert Heijn and AH XL. In this figure you can see all 458 municipalities in the Netherlands. You can see that Albert Heijn has a national dispersion, only in the northern part of the Netherlands were it is less inhabited and less urbanized you can find less dispersion of shops from Albert Heijn. In figure 8.6 you can see were Albert Heijn stores are located in the year 2009 and in figure 8.7 you can see were Albert Heijn have mostly decided to establish. You can find them more in the central shopping areas, supporting shopping areas and the more dispersed shopping areas. These figures are acquired from the research agency Locatus. Locatus defines four shopping formulas (groups of a minimum of 5 shops), these are:

1. Central shopping areas: a) in-towns areas (big city centers, >400 shops), b) main shopping areas (biggest shopping center in town, 100-400 shops), c) big shopping areas (biggest shopping center in town, 50-100 shops), d) small shopping areas (biggest shopping center in town, 5-50 shops).
2. Supporting shopping areas: a) district shopping areas ( supporting main city center, >50 shops), b) big neighborhood shopping areas (the same as before, but less big, 25-50 shops), c) small neighborhood shopping areas (more focus on neighborhood, <25 shops), d) neighborhood center (smaller, 5-9 shops, with one or no supermarkets).
3. Other shopping areas: a) large-scale concentrations (with 5 or more shops with each > 500 m² rentable floor space, living boulevards etc.), b) special shopping areas (like Schiphol or factory outlet-centre).
4. Dispersed shopping areas: all outlets that don’t belong to the three shopping areas mentioned above.

It is prominent that Albert Heijn is less present in the more dispersed shopping areas. This is partly because of the relative low present in Friesland and Groningen, who are less inhabited. In figure 8.8 you can also see how AH to go have expanded from the years 2003 till 2009 in the Netherlands.
Regionale spreiding

op basis van gemeenten waar winkels gevestigd zijn

2001

2007

Albert Heijn op de kaart: hoe AH uitbreidt

Figure 8.5 Regional dispersion Albert Heijn Source: Locatus, Formule-Atlas

Figure 8.6 Albert Heijn stores in the Netherlands in 2009. Constructed with the use of the AH store locator. Available at: http://www.ah.nl/albertheijn/winkelinformatie [Assessed on 30-05-2010]

Figure 8.7 Percentage Albert Heijn in the four shopping formulas. Source: Locatus, Formule-Atlas

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Research thesis • Su Jing Chung
AH To Go op de kaart: hoe AH To Go uitbreidt

Op basis van gezoemten waar winkels gevestigd zijn

2003

2009

Figure 8.8 Regional dispersion, AH To Go. Source: Locatus, Formule-Atlas

Figure 8.9 Albert Heijn to go stores in the Netherlands in 2009. Constructed with the use of the AH to go store locator.

Figure 8.10 Albert Heijn XL stores in the Netherlands in 2009. Constructed with the use of the AH XL store locator.

Figure 8.11 Percentage AH To Go in the four shopping formulas. Source: Locatus, Formule-Atlas
As discussed above Albert Heijn has already a dominant regional position in the Netherlands. Only in the Northern part of the Netherlands it is less dispersed, because it is less inhabited and urbanized. For Albert Heijn there is less growing opportunities in this part, because it is less inhabited here. For expansion strategies Albert Heijn can maybe think more about the expansion of AH to go in the Netherlands. The concept AH to go works well in traffic locations, like train stations, metro stations etc. In figure 8.9 you can see that there still exists opportunities for the AH to go concept to expand for the coming years. Because of the limited expansion opportunities in the domestic market, other possibilities for Ahold are to look at other markets and potential formulas in foreign countries.

For the variable adaptation and faster operation there still exists room for Albert Heijn were they can improve on. The collection of Albert Heijn consists of a broad assortment, but there is still room to introduce new products following the trends of preferences of customers, like introducing more ready to eat meals etc. Also the prices need to stay adapted to the market so that products maintain affordable for the customers. As for the variable faster operation, Ahold can invest more money to increase the efficiency in the business operation, for example the distribution network.

Some real estate aspects were we will look into and give recommendations too are location, size/number, architecture, rent/ownership, new or already existing buildings and competition/supply.

**Location**

Ahold has expanded in Europe and the United States mainly through acquisitions. In Europe the main market is the Netherlands. In central Europe the Albert brand and Hypernova have stores in the Czech Republic and Slovakia. The brand ICA group has stores in the Nordic regions, with its own and retailer-owned stores in Sweden and Norway and at last the Rimi Baltic retail chain operates in Lithuania, Latvia and Estonia.

In the United States Ahold has several shop formulas mainly in the east coast side. The brand stores Stop & Shop operates superstores and conventional supermarkets in Massachusetts, New Hampshire, New England, Connecticut, Rhode Island, New Jersey and New York. Giant-Landover operates retail stores selling food, pharmacy, health and beauty care items and general merchandise in Maryland, Virginia, Delaware, and the District of Columbia. Giant-Carlisle stores operate under the name Giant Food Stores in Pennsylvania and under the name Martin’s Food Markets in Maryland, Virginia, western Pennsylvania and West Virginia and Martin's Food Markets stores operate in Maryland, Virginia, western Pennsylvania and West Virginia.

These shop formulas are dominant players in their markets. However there are still growing opportunities in these markets. Ahold should concentrate on their portfolio in the existing market to become or remain number one or two in each market and to have clear prospects for sustainable profitable growth. Expansion strategies are mainly acquired through acquisitions of other potential chains by Ahold. In November Ahold had announced that Giant-Carlisle would acquire Ukrop’s, a leading local food retailer in Richmond, Virginia, which is a new market area for Ahold. In addition, Stop&Shop announced the purchase of five former Shaw’s stores in Connecticut, a move that further strengthens Ahold’s market-leading position.

**Size/number**

Albert Heijn has more than 800 stores and employs over 75,000 people, making it one of the largest employers in the Netherlands. Today, Gall&Gall consists of more than 530 stores, more that 40%
percent of which are franchise operations. Ahold also operates more than 280 stores in the Czech Republic and 26 stores in Slovakia, where it is among the best-known brands in food retail. The ICA Group is one of the Nordic region’s leading retail companies, with around 2,300 of its own and retailer-owned stores in Sweden, Norway and in the Baltic countries. The Rimi Baltic retail chain owns approximately 240 supermarkets in Lithuania, Latvia and Estonia and is headquartered in Riga, Latvia. The company also operates three distribution centers - in Lithuania, Estonia and in Latvia.

In the Northeast United States the brand Shop&Stop operates over 380 stores employing approximately 61,000 employees throughout Massachusetts, Connecticut, Rhode Island, New Hampshire, New York and New Jersey. Giant-Landover operates 180 supermarkets in Virginia, Maryland, Delaware, and the District of Columbia and Giant-Carlisle operates more than 120 stores in four states - Pennsylvania, Virginia, Maryland and West Virginia.

In spite of the strong focus on scale and scope Ahold has their number of stores almost decreased by half from 2002 to 2009\(^8\). This is the cause of the accountancy scandal in 2003 that led Ahold in a lot of debt and withdrawals in a few markets. But still after the scandal Ahold regained the trust of its costumers and concentrated on the shop formulas it had. In recent years Ahold have started to expand a little again in its number of stores. Like in 2008, Ahold sold majority stake in Schuitema, adding 56 stores to Albert Heijn, in 2009 Giant-Carlisle acquires Ukrop’s and Stop&Shop announced the purchase of five former Shaw’s stores. By gradually adding more shops in the portfolio Ahold strengthens its market-leading position.

**Architecture**

Ahold uses a central shop design for its architecture of the shops. Every shop formula of Ahold has its own shop design matching with its brand. This is because each of Ahold’s formulas has its own brand and concept from which each an individual shop design is acquired. Ahold has less focus on individual architecture than the retailers in the cluster “Aggressive Internationalists”. Ahold has a shop design that meets the requirements of the brand and is recognizable for its customers. Ahold focuses more on the interior, the shopping layout of the shop than the exterior. This is mainly because the layout inside the shop has a greater influence on the purchase behavior of customers than the exterior. Therefore Ahold should focus more on the shopping layout of their stores.

**Rent/ownership**

Ahold operates many stores in Europe and the United States. Most of them are wholly owned and the rest of them operate as franchising. Ownership needs a lot of investments beforehand but is recorded values in the balance sheet. However acquiring real estate though ownership is accompanied with more risks and less flexibility. The obligations of the real estate assets, maintenance costs etc. lies within the company and they have less flexibility because they cannot change locations and end contracts as easily as with the renting contracts. The decision about purchasing or renting however lies by the company who made thoughtful decisions after considering the advantages and disadvantages.

New or already existing buildings
Supermarkets, convenience stores etc. need specific requirements for the shop design. You can think about the floor space, parking facilities, floor layout etc. If appropriate stores can be found then this has priority above new constructions, because this brings extra costs and risks. However Ahold doesn’t have a policy that only allows existing buildings in its portfolio. On the contrary you can find both existing buildings and newly constructed buildings in the portfolio of Ahold.

Competition/Supply
Ahold has competition from other local food retailers, but in general Ahold formulas have become a dominant food retailer in the markets they have entered. Recommendations that can be given to Ahold are to maintain this status in the near future by providing a broad range of good quality products for an affordable price and establishing shops at strategic locations.

In short Ahold should maintain its focus on the variables innovation and brand control. For expansion strategies in the Netherlands Ahold can expand its AH to go and AH XL concept. For Albert Heijn there are limited growing opportunities in the domestic market. For expansion opportunities Ahold should look for potential formulas in foreign markets. If we look at their product collection Ahold should introduce new products from time to time to follow the latest trends and at the same time remain at an affordable price for the customers and at last Ahold should increase their efficiency in their business process. For their real estate strategy Ahold should strengthen their position in existing markets in Europe and the United States to maintain their dominant status in the market and gradually adding more shops in their portfolio. At the same time they should look for potential formulas and more opportunities in new markets and have a focus on their shopping layout, like the customers course in the supermarket etc. Both Europe and the United States have become mature markets for Ahold, which means that they have already achieved a dominant status in these markets. However there exist still limited growing opportunities in these markets. They can gradually add more shops in these markets if potential locations are found. In figure 8.12 you can see where the markets of Ahold are located.
8.4 Recommendations real estate strategies Maxeda

Maxeda as a retail group has 9 shopping formulas active in different countries in Europe, from department stores till fashion stores. In this research we have concentrated on the fashion formulas Hunkemöller and M&S. Maxeda have undertaken their internationalization process for financial reasons. There weren’t growing opportunities in the domestic market anymore and more opportunities could be found in foreign markets that in the long term could generate more income. However in the last years Maxeda annual growth has decreased and it was said that it was a good performance in a challenging environment. Consequences of these financial tendencies can be directly found in the media. Maxeda has put it fashion chains on sale and their annual growth in stores have decreased in the last year. Because of this there are less internationalization activities found of the fashion chains Hunkemöller and M&S. Recommendations have been tried to given with this in mind.

On the aspect innovation Maxeda has put focus on innovative store concepts and marketing concepts. The concept “Store in stores” is an example that has worked well. The fashion formulas Hunkemöller and M&S can also work more on their brand control. They have not yet achieved a dominant position in the markets they have entered. They can achieve this with several means, like more publicity, more stores or attractive collections etc.

Recommendations for Maxeda are to increase their real estate assets in the cluster strategy. Up till now they have expanded in new countries using the cluster strategy. In Spain for example they decided to enter the market in three clusters. These clusters are in Madrid, Barcelona and Valencia. They are now especially concentrated in these three cities and around them. The next step for the fashion stores Hunkemöller and M&S is to increase the shops in these areas. This is also with respect to the other countries they have entered. If we are looking in the Netherlands, both the fashion chains Hunkemöller and M&S have already achieved a national dispersion in the Netherlands with their stores. Their stores are both scattered almost everywhere in the Netherlands except for the northern part of the Netherlands and in the province “Zeeland” were it is less inhabited. For Hunkemöller and M&S there aren’t that many potential business locations left in the Netherlands. Maxeda should therefore look for more growing opportunities in the other existing markets, like France and Spain. In figure 8.13 and 8.14 you can see that the fashion chains Hunkemöller and M&S have a national dispersion in the Netherlands.
To increase the popularity of the product collections of both Hunkemöller and M&S more collections can be introduced to attract the interests of potential customers. Also more research can be done on the latest fashion trends. This also include for the collection in other countries Maxeda have entered. More research can be done on the interests of the customers in the area of fashion, so that their collection can adapt more to the culture if necessary. Despite both chains Hunkemöller and M&S being in the fashion branch competing with a lot of competitors they don’t have a short business process as that of H&M or Inditex-Zara. For Hunkemöller and M&S time is not their main factor to be considered, but more the quality of its products. But this is an aspect were Maxeda can work on in their fashion formulas, because time response is precisely and important factor in the fashion industry. More new collections a year and a faster operation process can be introduced to the fashion formulas of Maxeda.

**Location**

Maxeda have expanded in Europe, from which Hunkemöller and M&S have expanded in different countries in Europe and the formulas the Bijenkorf, V&D, Brico, Formido and Praxis have only expanded in Benelux. For Hunkemöller their biggest market is in Germany and the Netherlands and for M&S these are France and the Netherlands. Since this year Maxeda have some franchises in the Baltic States, Russia etc. They have plans to go overseas, but for this step to really carry out some decent research and planning needs to be done beforehand. They are now only considering it and don’t have complete plans yet to carry it out in the near future. In the future Maxeda have indicated that they are more willing to grow in the existing market than to enter new markets. You can think of more growing opportunities in Germany, France and Spain and increasing their real estate assets in these countries instead of new markets overseas.

**Size/ number**

In the Netherlands there are a total of 760 fashion stores, in Germany 136 fashion stores, in Belgium 133 fashion stores, Luxemburg 10 stores, France 155 stores and Spain just 9 stores. In 2009 Maxeda have opened 33 new stores in total. That is less than 3% grow in commercial spaces. These stores are
mainly opened in Belgium, Germany, France and Spain. These stores are opened after acquiring content locations. Most likely Maxeda will grow in their already existing markets in Europe for the coming years to extend their presence in these markets.

**Architecture**

Maxeda use a central design in their whole portfolio. In most cases they use a transparent façade with glass and with the entrance in the middle of their façade. Their shops are recognizable due to their unique shop design. For the coming years Maxeda will likely keep their central shop design concept. Recommendations are to keep a focus on the shop design. Once every while some innovations in the shop design are being welcomed. Also the window display needs to be changed once every while to show off their new product collection which is necessary in the fashion industry.

**Rent/ownership**

In August 2004, Maxeda (the former Vendex KBB) was delisted from the stock markets by its current investors KRR, Permira, Cinven and AlpInvest. Since then Maxeda has made remarkable progress. The organization formed a new companies philosophy (“A Passion to Serve”) were its people were the most important factor (employee satisfaction improved year by year), has strong international management teams, regained the trust of its consumer again (growth in market share in most retail sectors), made the organization commercially successful again and improved the relationship with all stakeholders.  

As said before Maxeda has decided to internationalize more for financial reasons. For financial reasons Maxeda has also sold its real estate assets. Maxeda has had their shops in ownership, but due to strategic reasons they have sold a part of their portfolio and rented it back instead. Now all the subsidiaries of Maxeda are rented back instead. The revenues gained are invested in the business process and paying of the debts. Renting also add some advantages like more flexibility in contract terms and less risks. But due to the change in situation both Hunkemöller and M&S have put their focus on optimized capital spend, which includes investing wisely. Maxeda should focus on high return and shorter payback projects whilst maintaining their strategic growth plans. Consequences are however that Maxeda make more monthly costs due to the leasing. Despite this Maxeda has said that they are looking into a new strategic reorientation of the fashion chains.

The decision of Maxeda that has led to the selling of the real estate can also be explained by the difference in philosophy between the case studies in the research. Maxeda has a history of acquiring potential formulas, cooperation between companies and the selling off these acquired formulas etc. The difference is that Maxeda is not a family business that has grown gradually, like Ahold and Inditex-Zara. For them their ambition is to grow and let their brand be known even more worldwide. You don’t expect them that they will sell off their own formulas. Even H&M has become such a worldwide brand that you don’t have to think about them selling their H&M formula. Maxeda on the other hand is an investment company that looks for opportunities to acquire potential formulas. If the opportunities exists for Maxeda to sell their shopping formulas for an profitable price they will do

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81 Maxeda (2009), Wereldwijd reputatieonderzoek door het Reputatie Instituut in samenwerking met de Rotterdam School of Management – Erasmus Universiteit, april 2009.
it. In comparison with the other case studies Ahold, Inditex-Zara and H&M, Maxeda operates more from the financial perspective.

**New or already existing buildings**
Maxeda has some standards requirements for their shops. If some appropriate real estate assets are found on good business locations and they meet the standard requirements, like the size of the floor space etc. Maxeda will consider it. For these reasons Maxeda doesn’t necessary needs to construct new buildings. On the other hand already existing buildings offers more advantages, because of less costs and risks.

**Competition/Supply**
The fashions stores in the Netherlands, Germany and France already have some sort of basis position achieved in the market. They are already quite known in the market. Spain on the other hand is just in the begin phase of their internationalization strategy and is less known locally. They have just 9 shops in total in Spain and they have a lot of competitors in the fashion branch. The main selling point they have is that they sell clothes in all sizes evenly priced, but to achieve a better basis in this market the number of stores in this country needs to be increased in the future alongside with advertisement skills to build up a brand awareness in this country.

To conclude Maxeda needs to work more on the variables innovation and brand control, like introducing new attractive collection and innovative store concepts etc. Recommendations that can be given are to introduce more new collections a year and focus on a faster operation process. If we look at their real estate strategy they should gradually increase their real estate assets in their existing markets, like Germany, France and Spain. Likely they will grow in the existing markets than enter new markets. For the coming years they should gradually increase stores in Spain alongside with advertisements to establish a greater presence in this market. The markets Denmark, the Netherlands, Germany, Belgium, Luxemburg and France are the more mature markets where Maxeda has established. There have more experience in these markets and have achieved a certain basis. However there still exists growing opportunities in these markets. Spain and the Baltic States where Maxeda has franchises on the other hand are relatively new markets and Maxeda should gradually increase the brand control and number of stores in these markets dependent on if the store concept is working and being well received in these new markets. In figure 8.15 you can see were the mature and relatively new markets are located.
8.5 Recommendations real estate strategies Inditex-Zara

Inditex-Zara is a strong international retailer in the fashion branch. They have their own unique business model that includes focus on five key elements. These are customer, store, design/production, logistics and teams. At the end of its fiscal year, Inditex-Zara had 4,607 stores in 74 countries, after opening 343 stores in 2009. The first Inditex-Zara stores in India are scheduled to launch in 2010. The Inditex Group’s net sales rose by 7% in its 2009 fiscal year (1 February 2009 to 31 January 2010) from a year earlier, to 11,084 million Euros. In local currencies, net sales rose 9% from 2008. The Group maintained its like-for-like sales in FY2009, demonstrating the flexibility of its business model. Inditex-Zara has received less damage compared with other retailers due to the recessions and managed to still open 343 stores in 2009. They still maintain their internationalization attempts.

This company has a strong focus on innovation and adaptation. They constantly change their window display and interior of the shop to accommodate to the changing preferences of the customers and changing trends in the fashion world. They also have established several new shopping formulas in their history to introduce new potential niches in the market. The latest formula of Inditex-Zara that was introduced in 2008 was Uterqüe. Uterqüe sells accessories, fashion extras and a carefully-chosen selection of top-quality fabric and leather garments. The product collection of Inditex-Zara also changes every two weeks to adapt to the changing fashion trends. This is possible because of the fast operation process of Inditex-Zara. They have their own in-house production. Despite having focus on the aspects innovation and adaptation this needs to be maintained in the future.

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The brand of Inditex-Zara is worldwide known. Their main chain Zara is the best known in the world, because this was their first formula that expanded internationally and has the greatest number of stores. Zara is the main formula with the greatest portfolio among the 8 formulas. For this reason the retail group Inditex-Zara will sometimes also be referred as Zara. The two brands name will sometimes be used together. The other brand formulas of Inditex-Zara are getting better known by the time. Especially for the older formulas like Bershka, Pull & Bear, Stradivarius etc. their brand awareness has increased during the years, but it is still a long way for them to become an international brand. In the future by adding more stores of these brands in the existing markets they can establish a basis in these markets and increase their presence. With this in the long period they can increase their brand familiarity within their markets.

On the aspect scale and scope we can say that Inditex-Zara has a strong focus on it. They have a worldwide portfolio of 4.607 stores in 74 countries. However not in all the countries they have entered they have a dominant position in the market. In the Netherlands for example they have only 23 stores in total, from which 15 of Zara, 7 from Bershka and 1 from Zara-Home. In the Netherlands the other formulas of Inditex-Zara have yet to be introduced, like Oysho and Pull & Bear. In other countries worldwide this is the same case. Only one till three formulas has been introduced in these countries. The only exception is in their domestic market Spain. There they have 1.900 shops in total, from which all 8 formulas are represented. Recommendations can be given to Inditex-Zara to look for more growing opportunities in their already existing markets. It is best to increase the basis in these markets with their formulas that already exists there and look for opportunities to introduce the other formulas in these markets. In the Netherlands there still exists a lot of growing opportunities. Zara can only be found in 13 big cities in the Netherlands. The policy of Inditex-Zara is to locate their stores in the best locations, in this case these are the bigger cities. In the Netherlands there are in total 21 big cities with more than 100.000 inhabitants. These are all potential business locations for Inditex-Zara to open there stores. Utrecht for example is a city where Zara can consider opening a store in the future. For Zara there certainly exist potential business locations if Zara decide to grow in the Netherlands. Bershka has only stores located in 6 big cities in the Netherlands. Bershka still needs to achieve more brand awareness in the Netherlands, but if in the future their basis is more stable than there exists enough potential business locations thus growing opportunities in the Netherlands. At last there exists only one Zara Home in the Netherlands, this is located in the capital Amsterdam. Dependent on the success of this store there certainly exists more growing opportunities in the Netherlands. In figure 8.16 and 8.17 you can see were the Zara and Bershka store are located in the Netherlands at the moment.
The operation process of Inditex-Zara is short compared to other competitors in the fashion branch. One of the reasons is because of their strong focus in time in their business model and their own in-house production. This time advantage gives them a distinguish character if we compare it with other fashion stores. They are always one step ahead of other competitors by introducing new collections. This advantage is certainly one of the selling points of Inditex-Zara that certainly needs to be remained in the future.

**Location**

Inditex-Zara has stores in 5 continents, Europe, America, Asia-Pacific, Middle East and Africa. Europe is the biggest market for Inditex-Zara with 3,756 stores in total in Europe, from which Spain the domestic market of Inditex-Zara has already 1,900 stores. There is still room to grow in these markets. In not all the countries in Europe Inditex-Zara has introduced all its formulas and in a lot of countries the number of stores is less than 15 stores in total. In the future Inditex-Zara can think about the growing opportunities in the existing markets in Europe.

America is the second biggest continent were Inditex-Zara have most of their stores, in total 366 stores. In all the countries entered in America with small exceptions, like Columbia who has a more similar culture as Spain there are only Zara stores introduced. The Zara stores are only introduced in the big cities. In the future there certainly exists growing opportunities in these countries to increase their number of Zara shops and other formulas.

In the Middle East there are 276 stores in total opened from Inditex-Zara, in Asia-Pacific there are only 189 stores in total and in Africa only 20 stores are opened. Dependent on the successes of these stores more growing opportunities are available in these markets.
Size/ number

Inditex-Zara has 4,607 stores in 74 countries in total. This company has a rapid growth in the last years. In their annual report they have stated to want to achieve an annual grow of 14% a year in commercial space. Inditex plans to expand its store network in a range of between 365 and 425 new stores. Approximately 95% of this new retail space will be located in international markets. A highlight of new markets to be launched in 2010 is India, where the Group plans its first openings beginning in May (in New Delhi and Mumbai). The Indian expansion strengthens the Group’s strategy for increasing its retail space in Asia, which will be more than 40% of commercial surface to be added in 2010. The first weeks of the 2010 fiscal year saw launches in new markets such as Kazakhstan and Bulgaria.84

Architecture

The architecture of Inditex-Zara shops is an important aspect in their real estate strategy. Inditex-Zara doesn’t use advertisements through the media and their main communication channel to the customers is with their architecture of their shops. That is why Inditex-Zara needs to keep their focus on shop design. Good examples of recent investments of Inditex-Zara in the shop design can be seen in the new shop opened in Milan who has an eye-catching installation created by the Netherlands-based design firm UNStudio. The installation stands a spectacular five meters tall and has a diameter of 4.85 meters, with a total surface area of 130m2. The coated aluminum structure is lit from within using LEDs, and is echoed in two smaller pieces displayed in the shop’s windows85, see also figure 8.18 and 8.19. These are examples showing the innovation in shop design and their focus on architecture. This focus on architecture certainly needs to be maintained in the future.

85 Garcia, R. and Kors, M., A five-metre-tall installation greets visitors to Zara’s flagship Milan store starting today, Zara Italy and UNStudio, 14th April 2010
Rent/ownership
Most the stores of Inditex-Zara have been rented. This is the best option in entering a new market. There exits still a lot of insecurities and by renting the stores Inditex-Zara can confront these with fewer risks. Also with the speed Inditex-Zara is expanding renting gives a more flexible strategy. In this constantly changing market renting gives Inditex-Zara more security with the option that they can end the contract on the short term. Inditex-Zara however owns its own production factories. They have their own production factories, unlike H&M who has their production outsourced.

New or already existing buildings
Inditex-Zara has stores who are newly constructed and already existing buildings that have been renovated to meet the high standards of the shop design of Inditex-Zara. Inditex-Zara has high standards for their appearances of their stores. They use a lot of glasses in their façade. If Inditex-Zara decides to open stores in already existing buildings adjustments needs to be done to the store before they can meet to the requirements of Inditex-Zara.

Competition/Supply
The growing competition is from countries that have low wage rates. The greatest threat comes from Asia. These countries offer cheap labor, and have a great ability to copy any product, that forces companies in the rest of the world to change the way they behave. Inditex-Zara has learned how to adapt itself to changing times. Currently they are the third-largest company in the fashion sector after only H&M and Gap, Inditex-Zara knows how to react to consumer tastes. Inditex-Zara has changed the very nature of competition in the process of achieving that goal.

To summarize Inditex-Zara should maintain their focus on the variables innovation, adaptation of its fashion collection and a faster operation process. If we look at Inditex-Zara’s expansion process we can especially find mainly the Zara formula in the countries entered. Inditex-Zara should also increase the brand awareness of its other formulas. Recommendations for real estate strategy are gradually adding more stores in the already existing markets and at the same time look for opportunities to introduce the other formulas of Inditex-Zara. They should gradually increase their presence in Europe, which is a relatively mature market for Inditex-Zara. In Europe their presence is the biggest and they have already achieved a sufficient basis in these markets. In America, which is Inditex-Zara’s second biggest market they have mainly only introduced the Zara formula. In America they should increase Zara and other formula shops. In the relatively new markets of Inditex-Zara the Middle East, Asia-Pacific and Africa they should concentrate on only increasing the basis of Zara shops for the time being. All in all they should maintain their high standards in architecture of their stores in the portfolio. Another point is that one third of the income now is generated mainly in Spain. For future purposes Inditex-Zara can focus their income stream also in other markets, like Asia so that the income could be spread more evenly. This can lower the risks of Inditex-Zara so that if something happen in Spain, like the recession now that they face they could still generate income in other countries.
8.6 Recommendations real estate strategies H&M

H&M operates today 2,000 stores spread over 37 markets. Just like Inditex-Zara H&M is a strong international retailer in the fashion branch. The main difference in real estate strategy is that the portfolio of H&M is smaller almost twice the time and their portfolio is more concentrated. With this I mean that in the markets they have entered they have established a greater presence in comparison with Inditex-Zara. In short Inditex-Zara has entered in more countries with a worldwide portfolio greater than that of H&M, but H&M has more stores in the market they entered. Recommendations for H&M can be to look for new marketing opportunities in new countries and then search for growing opportunities in these countries. The recent opening of the H&M store in Japan is an example where the next steps of H&M can be to open more stores in this country.

H&M has expanded substantially during 2009, opening stores in exciting new markets. Despite the influence of the economic downturn on sales, which did not quite live up to the expectations, H&M still enjoyed good profitability and gained valuable experience. Sales in 2009 reached SEK 119 billion and thanks to good cost control, profit for the year grew by a billion kronor to SEK 16.4 billion. During the year, H&M opened 250 stores net in both existing and new markets. Russia and Lebanon are new additions— the latter via franchise. H&M also opened their first H&M stores in Beijing and continued to grow in Tokyo and other major cities around the world. The recession of 2009 also created opportunities for H&M. This included finding more attractive store locations than they had initially anticipated.86 H&M still had a good profitable year and have continued its internationalization process.

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H&M has focus on innovation, the collaboration with famous designers is an example of this. These collaborations were a famous success and shows of H&M creative thinking. Also the internet store of H&M is doing well, with introducing several new campaigns up to date. On the aspect adaptation H&M is also doing well. Several collections and campaigns are introduced a year and this can be seen through the changing window display of H&M and through new magazines, advertisements and changes in campaigns on the internet. The collection of H&M doesn’t change as fast of that as Inditex-Zara, but because of their more affordable prices it is a good alternative. With the number of changing campaigns H&M still meets up with the latest fashion trends. So for the aspect adaptation there is no need to put more focus there, but the main point is maintaining their position. Improvements can be however on the internet shop. The internet shop is now only been introduced in Europe. Maybe H&M can look for opportunities to introduce this concept also in America which is the second largest market of H&M.

The brand that H&M has is very strong. Worldwide H&M has achieved an international brand. In the markets they have entered they have achieved a dominant position in the fashion branch. This is mainly the cause because of their high number of stores in the markets they have entered. In the countries they have entered they have expanded in a rapid time. In the Netherlands for example you can find H&M stores in almost all the big cities. This is also the case for other countries. Their concept of a reasonable price for good quality is working well that have partly created their famous brand. Their focus on scale and scope is also an aspect that has contributed by the creation of the brand. On these aspects H&M needs to maintain their focus. In the Netherlands H&M have already been in the market for a long time, since 1989. They have achieved a dominant status in the Netherlands but there still exists growing opportunities for establishing new stores. H&M is becoming big among young people here and sales in the new concept stores for young fashion have developed well. In figure 8.21 you can see were the H&M stores are located in the Netherlands. However in comparison with Ahold and Maxeda, H&M has relatively less stores in the Netherlands and are only mainly located in the big cities.

Figure 8.21 H&M stores in the Netherlands in 2009.
Constructed with the use of H&M store locator. Available at:
http://www.hm.com/nl/storelocator__storelocatorhtml.nhtml
[Assessed on 01-06-2010]
If we look at the aspect faster operation H&M can put more focus on this aspect. Especially in the fashion branch it is important to react quickly enough on changing fashion trends. The production process of H&M is however shorter than that of Inditex-Zara, this is mainly because the production process of H&M is being outsourced by independent suppliers in Europe and Asia. For future opportunities H&M can look for options in own in-house productions. But of course this is in accordance with new investments. For these reasons a proper research needs to be done beforehand and this cannot be changed in the short time.

**Location**

H&M have expanded into four continents, these are Europe, North America, Asia and Middle East. H&M has expanded substantially in recent years and today we have around 2,000 stores spread across 37 markets. Germany is their biggest market, followed by the UK and Sweden. H&M launched a franchise operation in the Middle East, in Dubai and Kuwait, during the autumn 2006. However, franchising is not otherwise part of H&M’s establishment strategy.

Europe was the first continent H&M has expanded in. Although they have been in the market for a long time, there are still good opportunities for establishing new stores. H&M is becoming big among young people here and sales in the new concept stores for young fashion have developed well. Their second market outside of Europe is in North America. H&M has got a fabulous start in Canada and in the near future H&M has plans to take the expansion to the West coast. H&M has also grown tremendously in the USA and today there are over a hundred stores in this country. Still most of the stores are on the east coast, but in the autumn 2005 the first stores opened on the west coast, in San Francisco. One year later the first stores opened in the Los Angeles area.

In Asia there are only a limited number of stores opened in the best business location. The expansion process in this country depends if these anchor stores can establish a brand in these countries. No further store openings are planned yet in this country. H&M sells its products in the Middle East through a franchise partnership with Alshaya, although franchising is not normally part of H&M’s establishment strategy.

H&M can look for further expansions in these already countries, but the main recommendation is to grow in the existing markets. There is still place to grow and it is better to grow in an existing market than to explore new markets. Also in not all the countries online shopping is used. Maybe H&M can also look at these opportunities.

**Size/number**

H&M has around the 2,000 stores around 37 countries. They have a substantial grow in recent year. Every year they open stores. These stores opened can be in Europe, the west coast in North America, Middle East and Asia. Their goal is to grow with 10-15% in new stores annually. A strategy that involves constant expansion into new markets. That is about 200-300 stores a year.

**Architecture**

H&M needs to keep their focus on shop design. Especially if they enter new markets, the architecture of their stores determines for a large part their image in that country. These stores works as anchor stores in these countries and needs to have a shop design that interests the people there. Also in the already existing countries H&M needs to maintain innovative in their shop design and window
display so that people are attracted and keeps interest in the collection of H&M. The interior program that H&M have organized is a good example of H&M showing their focus on shop design, interior and exterior.

_Rent/ownership_

H&M does not own any production factories. Production of goods is outsourced to independent suppliers, primarily in Asia and Europe, through H&M’s local production offices. Nor does H&M own any of its stores. Instead H&M rents store space from international and local landlords. This is an aspect in their real estate strategy. For the coming years I think H&M will stay renting their stores, because of the fewer risks it has. It also has more flexibility, because the contract can be ended on the short term and the obligations lies by the owner.

_New or already existing buildings_

H&M has new and already existing stores in their portfolio, with each their own character. Nowadays you can find H&M stores in old properties that have their own specific architecture. With some adjustments in the façade H&M can function well in these properties. In other locations like new build shopping districts, traffic points or business locations maybe a more catching modern façade is working better. In these cases H&M has also stores in more newly constructed real estate assets.

_Competition/Supply_

Other competitors of H&M are other fashion stores that also have the younger people as target group and offer their products for an affordable price. But in general H&M has become a dominant player in Europe and North America. Only in the continents Asia and the Middle East they have more competitors with other local stores.

In short H&M should maintain their focus on innovation in product collection and shop design. Other aspects they can look into are introducing online shops in America, their second biggest market and a faster operation process through own production factories. For the internationalization strategy there exists still growing opportunities in Europe and in America they can expand more to the West Coast. In Asia it depends if their shops are being well received or not in the coming years, but their certainly exists growing opportunities in these relatively new markets. In the coming years H&M should maintain their substantial growth in their existing markets by opening new stores. Both Europe and America are the more mature markets of H&M. They have already established a great number of stores and existence in these markets, but there still exists growing opportunities in these mature markets. For the west coast side of America, Russia, Asia and the Middle East these are relatively new markets. H&M has already made its entrance in these markets and recommendations given in these markets is to gradually open more stores in potential business locations and create more brand awareness.
8.7 General recommendations

After accomplishing this research some general recommendation can be given on the real estate strategy during the internationalization process of retailers. These recommendations can be given on 6 real estate aspects. These are location, size/number, architecture, rent/ownership, new or already existing buildings and competition/supply.

Location
Some general recommendations that can be given at locational level for international retailers are to establish stores in shopping areas where a lot of potential customers gather. This can be researched with the use of passers count in shopping areas. Also a market research needs to be conducted beforehand. Can they make profit if they open a store here? Are there any competitors in the neighborhood etc. These researches need to be done beforehand.

Other recommendations that can be given are about the expansion strategy of retailers. First retailers should expand more in the already existing markets. They have already entered the markets and have invested in it al lot. It is more wisely to grow in an already ‘opened up’ market than an eternally new market. So if they decide to expand the first step is to increase the real estate assets in already existing markets. In the mean time retailers can look for other potential markets. Proper research and investments needs to be done beforehand for this. This recommendation in general can also be given to the four case studies discussed above. To conclude the recommendation is: “Strengthening the position in existing markets by gradually adding more stores and at the same time looking for opportunities in new markets.”
Size/number
The size of the shops depends on the activities that need to take place in the real estate asset. For retailing a different floor space and floor design is required than for example offices and housing facilities. In the retail branch there also exists differences between the sectors. Supermarkets needs a different floor space and design than fashion stores and in their turn differentiate with department stores etc. For this aspect it is difficult to give general recommendations. To give proper recommendations we will need to look at specific case studies. This is also the case for recommendations given on the number of stores in the portfolio. The number of stores depends on the company if they can have a healthy grow in their expansion strategies and business process with enough turn of profit.

Architecture
The architecture of the stores is an important factor. It is the first image a customer directly gets when shopping in a street. It is also in most the cases the first impressions that people get when they walk along the several facades. In a short period of time customers will look at the façade and decide if the shop interests them. In this short period of time the appearance of the shop decide if the customer will walk in their shop or not. For this reason the retailers needs to have a focus on their shop design. They need to have a shop design that interest their target group and also interest the shopping customers on the street. With the use of the window display they can already show a part of their collection so that customers can decide if they want to walk in the shop to see the collection or not. Important is that the window display needs to be changed from time to time so that new customers can be drawn in that have already visited the store maybe a few weeks ago, but want to see the new collection this time. So a focus needs to be on the architecture on the store itself and on the window display. Be it a central shop design or a more individual shop design. The main point is that it attracts the people from your target group. In general it can be said that an attractive shop design will attract more customers. Maybe retailers can organize some design programs, so that retailers maintain their focus on their shop design and window display.

Rent/ownership
The decision made between rent or ownership of real estate assets in the portfolio of retailers is a decision made based on several factors. First you need the weight the advantages and disadvantages. Acquisition of real estate is connected with risks during the process. Secure real estate through the rental market is connected with the least risks. This is because:
- Obligations are with the owner of the building;
- There is security about the price and developments;
- The rent contract can be ended on short terms.
To secure of real estate through ownership consists of more risks. Risk factors are:
- Revenue through rent;
- Revenue through sale;
- Economic life cycle of real estate;
- Technical life cycle of real estate;
- Developments of maintenance costs.

So a proper decision needs to be made based on the risks factors. Acquisition through the rental market offers more flexibility, because the contract can be ended in the short term. This is maybe a good alternative for the fashion branches were a lot of insecurities is the case.

New or existing buildings
Retailers choose their real estate looking if they fulfill their requirements. Is the location good, is the size of the property good enough to function properly and does the outer appearance of the shop
meets the requirements of the shop or does it needs to be renovated etc. These questions need to be answered beforehand. Based on these requirements the property is selected. This can be an already constructed real estate assets or a new shopping mall that needs to be constructed in the future. So these decisions need to be made after proper research. An already existing shop has the advantage that it is already functioning in the shopping streets, but maybe the real estate doesn’t match the requirements of the company and adjustments needs to be done beforehand. New buildings on the other hand have other risks involved coming from the complex development and construction process. These are functional, technical and financial risks. So a company needs to take these risks into account. Recommendations are difficult to give on this aspect and are dependent on the individual retail companies.

*Competition/supply*

When choosing a location you also need to look at the competition and supply of other stores in the neighborhood. A certain market research needs to be done beforehand. Questions like are there already other stores in the direct neighborhood that are working with the same target group and do they compete with the store etc. needs to be considered. The next question is when there is competition, because nowadays it is hard to have no competition at all, has the company a distinguishable character that have other qualities than the other stores so that people will still go to their store. The most ideal situation of course is to find a location that have the least competitors, but still is a potential site with enough customers. To find this location proper market research needs to be done beforehand.

All in all it is hard to give general recommendations on real estate strategy of retail firms during the internationalization strategy, because in most cases more elaborated research needs to be done on the individual retail companies to give appropriate recommendations on real estate strategy. A general recommendation that can be given on the four case studies is to strengthen the position in existing markets by gradually adding more stores and at the same time looking for opportunities in new markets.
9. Research evaluation

Fig. 9.1 Château in Bordeaux. Photo: Su Jing Chung. Date: 21-08-2009

In this final chapter hypothesis made at the beginning of the process will be reflected upon. We will discuss the research results that weren’t expected and some theoretical insights about the research project. At last some recommendations and suggestions will be mentioned that might be interesting for future researches.

9.1 Reflection research results

Some of the answers made on the research question weren’t expected at the beginning of the project. In this chapter we will reflect on these hypothesizes made at the beginning of the process. These questions are about the difference in focus on the research variables innovation, brand control, adaptation, scale and scope and faster operation. Figure 1.10 and 1.11 shows you the conceptual models made at the beginning of the process. In these conceptual models some hypothesis are made about the influence of the five research variables on the two clusters. The “Emboldened Internationalists” were thought to have less focus on the variables brand control, scale and scope and faster operation than the cluster “Aggressive Internationalists”. This hypothesis was made mainly because the retailers in the cluster “Emboldened Internationalists” haven’t reached an international dominant presence yet that the retailers in the cluster “Aggressive Internationalists” have, who have more real estate assets worldwide. That is why it is likely to assume that the “Emboldened Internationalists” have less focus on the aspect scale and scope. This is also the case with brand control. The “Aggressive Internationalists” have achieved a far greater international presence than the “Emboldened Internationalists”. It is likely to assume that the retailers in this cluster have also achieved a more known brand than the “Emboldened Internationalists”. Otherwise they wouldn’t have established a strong enough basis and brand yet to enter a new market. One of the crucial factors to enhance the chances of success in the foreign countries is namely the brand establishment in that country. It is for this reason that it is likely to assume that the cluster “Aggressive Internationalists” have a greater focus on the aspect brand control. Lastly this was also the case for the variable faster operation. Because the portfolio of the “Aggressive Internationalists” consists of more real estate worldwide and they have business worldwide it is more efficient to have such a business process that can deal with the management in this process more efficient and faster. For this reason assumptions were made at the beginning of the process that the “Aggressive Internationalists” had more focus on faster operation than the “Emboldened Internationalists”.

June, 2010

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Another hypothesis was that the “Emboldened Internationalist” would have more focus on the variables innovation and adaptation than the retailers in the cluster “Aggressive Internationalists”. This hypothesis was made because of the assumption that the retailers in the “Emboldened Internationalists” would have less brand control than the “Aggressive Internationalists”. During the beginning of the process I haven’t taken into account the brand loyalty that they had in the domestic market of these retailers. That is why assumptions were made that the retailers in the cluster “Emboldened Internationalists” would have a greater focus on the aspects Innovation and adaptation in their business process, because they haven’t achieved a dominant position yet in their markets and needs to have more innovative business concepts to be more distinctive than other retailers in the market. Because of the competitive market it was also more likely to assume that the retailers in the “Emboldened Internationalists” would have a better focus on adaptation to react quicker on unseen developments. In table 9.1 you can see the differences in focus on the five research variables of the two clusters made from the hypothesis.

After doing the research and answers have been given to the research questions there exists some differences between the hypothesis and research results, but remarkable there are also some similarities in the answers and hypothesis. During the research it is shown that both clusters have a focus on the variable innovation. It can’t be precisely said that a separate cluster had more focus on innovation. They both have a desire for innovation and this is expressed by innovative store concepts, marketing concepts, innovative collaborations with other designers, the introduction of new formulas etc. Both clusters and more precisely all retailers have a different view on how to be innovative in their business process. For this variable it is therefore hard to say which cluster has more focus on innovation.

For the hypothesis that the “Aggressive Internationalists” would have more focus on brand control this is only partly true. It is true because the retailers in the “Aggressive Internationalists” have indeed a more widely and internationally known brand. Therefore they have indeed a great focus on brand control worldwide. However the “Emboldened Internationalists” also have a great focus on brand control in their domestic market. From research results it is even indicated that the two case studies Ahold and Maxeda from the cluster “Emboldened Internationalists” are better known in the Netherlands than the retailers from the “Aggressive Internationalists”. With the research results we can see that the “Aggressive Internationalists” have a better focus on brand control internationally, but the “Emboldened Internationalists” are certainly not weak on this aspect in their domestic market.

The research variable adaptation is the aspect where the most contradictions can be found between the hypothesis and the research results. The hypothesis was that the retailers in the “Emboldened Internationalists” would have more focus on adaptation than the “Aggressive Internationalists”. This is not the case, because in reality the “Aggressive Internationalists” takes more action to adapt to the changing needs of customers and the market. For example if we look at their product collection they tend to adapt several different collections a year to the changing needs of the customers. This is partly the reason because the “Aggressive Internationalists” operate more in the specialized products than the “Emboldened Internationalists”, who operate more in general retailing. That is why the products of the “Emboldened Internationalists” are more standardized and there is less pressure to adapt to the changing trends.
The hypothesis that the retailers in the cluster of the “Aggressive Internationalists” would have more focus on the aspect scale and scope is true. They have indeed more focus on scale and scope worldwide. This is mainly because retailers in this clusters have a far bigger portfolio worldwide than the retailers in the “Emboldened Internationalists”. The retailers in the cluster “Aggressive Internationalists” are constantly searching for new real estate in existing markets and new markets to ensure their dominant position in these markets. Partly because of their international brand they have they accordingly add new real estate assets every year.

Now if we look at the last variable faster operation. The “Aggressive Internationalists” have indeed more focus on faster operation than the “Emboldened Internationalists”. The hypothesis made at the beginning of the process coincides with the results. The “Aggressive Internationalists” operate in general more in the specialized products. These products need to be adapted once every while to adapt to the changing preference of the customers. Also the latest trends determine for a main part if these products will remain a seller. For these reasons retailers in the cluster “Aggressive Internationalists” needs to adapt quick to changing trends and preferences of customers. They also need to react quicker than their competitors so they can ensure their first mover advantages. For these reasons the “Aggressive Internationalists” have more focus on faster operation, because with a faster business operation they also can react and adapt quicker on changing needs of customers and changing trends in the market.

As discussed above the hypothesis made at the beginning of the process is partly true, but there are also some difference discovered after obtaining the research results. These are mainly about the variable adaptation and innovation. It wasn’t predicted that the retailers in the “Aggressive Internationalists” would have more focus on adaptation than the “Emboldened Internationalists”. But if we look back now it is conventional because of the difference in their business process and their difference in product retailing. The “Emboldened Internationalists” are more general retailers, who have a more standardized approach in their business process. Another point was on the variable innovation. It wasn’t expected that both clusters would have a focus on innovation that couldn’t be compared. This can be explained by the difficult nature the term innovation has in general. It is really difficult to measure this variable and innovation in the business process could be almost everything. There are several aspects were you can be innovative about. That is why during this research it was difficult to say which cluster was more innovative during the internationalization process. In table 9.2 you can see the research results of the two clusters about their focus on the five research variables.

Table 9.1 Hypothesizes influence variables on the two clusters

<table>
<thead>
<tr>
<th>Variable</th>
<th>“Emboldened Internationalists”</th>
<th>“Aggressive Internationalists”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Brand control</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Adaptation</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Scale and scope</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Faster operation</td>
<td>+</td>
<td>++</td>
</tr>
</tbody>
</table>
In table 9.2 you can see that both the clusters “Emboldened Internationalists” and “Aggressive Internationalists” have focus on the five research variables. The “Aggressive Internationalists” has even more focus on the variables adaptation, scale and scope and faster operation. If we look at chapter 2.2 you can see that these five research variables were also described as the five success factors during the internationalization process. In the literature was said that if retailers take into account these five factors than they would have a sufficient basis for their internationalization process. As seen in the table above both clusters have indeed a focus on these five variables. Both clusters have a long history in their expansion strategy and have expanded to several countries. The “Aggressive Internationalists” however have successfully expanded into more continents than the “Emboldened Internationalists” and they have more focus on the three research variables adaptation, scale and scope and faster operation. Another hypothesis that can be made after this research is if more focus on these variables will lead to more international expansion? If we look at the cluster “World Powers” they have indeed again more focus on brand control. If this hypothesis is true another research will be necessary. In this research however we concentrate on the two clusters “Emboldened Internationalists” and “Aggressive Internationalists” of the model of Treatgold to increase the insight in real estate strategy during the internationalization strategy and the answer on this hypothesis cannot be given.

### 9.2 Theoretical insights

Treatgold’s model was made in the year of 1998. Now more than ten years later this model is being used as a starting point for this research. Main questions will be about if this model is still appropriate for research studies about internationalization studies nowadays. After more than a decade there are certainly more appropriate models for the clustering of international retailers. So why use this one and not a more recent one.

Besides the model of Treatgold there were indeed more models that categorized international retailers. However all of these models were all published in the same decade and despite of not using the same criteria’s in clustering the international retailers, they more or less had the same basics, namely clustering the international retailers into four basic clusters. After spending some time looking at the characteristics of the models similarities could be found between the categorizations in the different models. The reason why I have chosen for the model of Treatgold was because this model made the categorization based on their geographical spread and their entry strategies and for this research these aspects were more interesting than that of the other models.
The model of Treatgold has just been used as a basis categorization of international retailers in this research. The clusters have been used to increase the structure in the process. Because of these separate clusters it was more convenient to make separate real estate strategies for these clusters instead of making some general recommendations. In short the model of Treatgold has just been used as a starting point on how international retailers can be clustered, but the elaboration of the research after using this categorization is just from self reasoning. That is why not too much research on the model of Treatgold has been done. What happened in this research was using the model to structure the process and increase the insight in real estate strategies in international retailing with the use of two case studies per cluster and comparing them and offering individual and general recommendations and conclusions about these clusters.

Now after more than a decade the question is if the categorization of the model of Treatgold is still appropriate enough. Does the model needs adjustments to function more appropriate nowadays. In my opinion the categorization of the model of Treatgold can still function for a long time. This model just want to clusters the international retailers in these four clusters and these four clusters are so generalized that there exists some flexibility. Also it is not the categorization that has been changed in the last decade, but the retailers self. The dynamic economy had its influence on the retailers and they in turn have changed in the last years. Some retailers have established an international presence in a few years and some retailers have withdrawn from the market. In short it is not the clusters that has been changed, but the retailers self who has changed from one cluster to another. The number of retailers seeking to develop an international presence will continue to grow as pressures inhibiting sustained growth in mature domestic markets become more acute. So if we look at it in this way retailers in cluster one the “Cautious Internationalists” may have lost some of its member to cluster two “Emboldened Internationalists”, because cluster one became more populated as the early efforts to internationalize will remain relatively cautious and modest in the scale of their ambition. In turn, cluster three “Aggressive Internationalists” could become more populated by ambitious companies currently identified within the highly unstable cluster two. Cluster four the “World Powers” will likely retain its uniqueness. However, through its existing players, this cluster will become more tightly concentrated into the bottom right corner of the model of Treatgold as retailers, highly confident in the universal appeal of their offer, continue to expand rapidly throughout the globe. With this we can say that the dynamics in the models exits in the movements of the international retailers self and not the categorization self.

9.3 Further research

Further research about the internationalization process of retailers is interesting for gaining insight in the internationalization activities of retailers. The model of Treatgold has been used to increase the insight in the internationalization strategies of retailers. This project has a scientific relevance. Throughout the literature academics have tried to give insight in the internationalization process of retailers so that the business process of retailers could be more manageable, but there still lack recommendations that focus on the real estate strategy of retail firms in the practice and not just theoretical recommendations in the literature. On this aspect enough room exists to add more knowledge on real estate strategy in the internationalization strategy in the already existing body of knowledge.
Some recommendations can be given for the further elaboration of the research. This research has focused on the elaboration of the real estate strategies and general conclusions about the two clusters “Emboldened Internationalists” and the “Aggressive Internationalists” of the model of Treatgold. For future possibilities of continuation of this research recommendations can be given on real estate strategies on the remaining two clusters in the model of Treatgold, namely the “Cautious Internationalists” and the “World Powers”. These two clusters are still unelaborated in this research. If there is the possibility to also elaborate these two clusters with the use of case-studies recommendations can be given on these two clusters. Also a general comparison can be given on all four the clusters of the model of Treatgold to make the picture complete. With this the complete model of Treatgold would be elaborated on by giving recommendations on the real estate strategies of the four clusters.

Also another point is that this research has only focused on five research variables. These variables have been mentioned in the literature of retail internationalization. However in the literature other variables can be found that has an influence on the internationalization strategy that hasn’t been elaborately researched in this project. Other variables that are important in a real estate strategy for example can be found in the variables in the model of Porter. These variables are competitive rivalry within the same industry, threat of new entrants, bargaining power of suppliers, bargaining power of customers and threat of substitute products. For a more elaborated research besides these variables also other real estate variables can be looked into like for example location strategy, what kind of strategy have retailers used to acquire top locations, and brand awareness of shop design etc. For future research these aspects can be looked into to give more appropriate recommendations on real estate strategies. For this research now only aspects like market opportunity, markets entry, business process, formats, shop design and interior etc. have been looked into. These variables have only been slightly analyzed in the Netherlands, but these analysis results doesn’t necessary have to apply for the other countries worldwide. For further research more specific research can be conducted on these aspects.

There also exists the possibility to carry out a research project that can confirm or prove the attained research results of this research project for future research. Parts of the research result are that the “Aggressive Internationalists” have a stronger focus on the variables adaptation, scale and scope and faster operation. A future research can be conducted that can operationalize these variables on how this can be researched and proved valid. A new methodology can be used to test the results on its validity. Other case studies can be used and other data analysis can be conducted to prove the validity.

At last future research can focus on other research questions that have been asked in this research project. Other research question that might be interesting for future research can be for example if more focus on the aspects adaptation, scale and scope and faster operation will lead to more international expansion? Or for example if the recommendation given that retailers should strengthen their position in existing markets first by gradually adding more stores and at the same time looking for opportunities in new markets apply only for the mentioned case studies or is it a recommendation that can be used generally for all retailers in the internationalization process.
9.4 Epilogue

For the internationalization process the economic downturn has an increasing influence on international activities. The economic crisis has led to different influences on the case studies. In this research however the economic downturn hasn’t explicitly been taken into account. In this epilogue I still want to discuss what the influence were of the economic downturn on the case studies.

The CEO of Ahold, John Rishton, has said that Ahold has achieved solid results in 2009 despite the severity of the economic downturn in their annual report in 2009. Their achievements demonstrate the benefits of a consistent, customer-focused strategy. Ahold gained market share in the Netherlands and at each of our banners in the United States and improved customer satisfaction, while successfully balancing sales and margin. In the annual report of Maxeda in 2009 it was stated that the first half year has been challenging as the economic crisis continued to impact consumer confidence and spend in the markets. Maxeda has stated that they anticipated the downturn and took the necessary actions with them to sustain their short term performance whilst maintaining the long term goals. If we look at the annual report of Inditex-Zara, the results were that 2008 reflect a year of strong expansion and satisfactory growth in sales in a marked environment of economic downturn in a number of countries. In this context, the Inditex Group obtained sales of 10,407 million Euros, 10% more than the previous year and 12% at constant exchange rates and perimeter. The Group sales were positive in all geographical areas. For H&M the year 2009 has been an eventful, educational and challenging year for H&M. H&M expanded substantially during 2009, opening stores in exciting new markets. Despite the influence of the economic downturn on sales, which did not quite live up to their expectations, H&M still enjoyed good profitability and gained valuable experience.

In all four the case studies they have stated that they have reached solid results despite the economic downturn. Al four case studies maintained their status during the years. Maybe due to the economic downturn the mentioned cases studies have reached less sustainable growth than in the previous years before the economic downturn, but despite all this the case studies have tried to minimize the damage in the last years.

If we look at Ahold they gained market share in the Netherlands and the United States. The Albert Heijn supermarkets have remained strong. Despite the economic crisis the sales of the chain grew with 12% to three billion Euros in the last quarter. The higher turnover was partly due to the 58 stores of C-1000, which was taken over last year by Albert Heijn last year. Excluding this acquisition, sales increased only 4.7% of Albert Heijn. This growth is due to a surge in customers, 4.5 percent in March. Maxeda sales fell by 1.9%, but Maxeda maintained its leading market positions in most of its formats and product categories. Also the number of stores increased by 4.3% to 1,383 stores, since July 2008. Inditex-Zara could make an annual profit that was more than expected in 2009, this was mainly because of the strong costs control in the fourth quarter. The Spanish downturn hasn’t led its traces on Inditex-Zara despite that the company makes 32% of its turnover in Spain. However, the fact that Inditex-Zara has 32% of its turnover in Spain can also be a risk for future developments. Spain has been involved in the economic downturn. The unemployment is high in Spain. If in the future the economic downturn in Spain will influence the turnover of Inditex-Zara then this will affect about a third of their income. Maybe Inditex-Zara can focus more on other markets, like Asia, so that

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87 Ahold (2009), Message from our CEO in Annual report 2009. [online] [Assessed on 01-06-2010]
88 Maxeda (2009), Annual report 2009[online] [Accessed on 01-06-2010]
89 Inditex Group(2009), Annual report 2008 [online] [Accessed on 01-06-2010]
90 H&M (2009), Annual report 2009 [online] [Accessed on 01-06-2010]
91 Het Parool (2009), AH groeit door, ondanks crisis [online] [Accessed on 01-06-2010]
their income source can be more evenly divided on separate markets and so their risks. Despite the annual profit of Inditex-Zara the future expansion plans will be adjusted for the coming year, with less store openings in South Europe (Spain and Italy) and more expansions in Asia, in particular China. Inditex-Zara grows 9% a year, this is the second year that Inditex-Zara does not meet the historical growth of 15%. The Spanish clothes retailer unveiled a slight drop in profits for the nine months to the end of October, as aggressive expansion into Asia helped offset weakness in the domestic market. At last H&M, the fashion chain H&M has in the month of November 2009 a drop of 9% in turnover in sales of the stores, which are open for longer than one year. In the same month a year the sales still dropped 4% and the total sales went up with 7%. In fiscal year 2007/08, total sales rose by 11% and identical sales declined with 1%. Much of the increase can be thanked with the opening of new stores. Sales in the stores for more than one year in operation increased with 3%.

In all four case studies you can see that all the case studies are dealing with the economic downturn in their own separate way, but we can see that Ahold in general was less influenced by the economic downturn. You can see the trend that people are buying more products from the private labels than the brand labels. But in general people still need to do grocery shopping and because of the dominant position Ahold has in the markets they still make profitable years and is less influenced than the fashions retailers, whose products are more luxury products. For Ahold their annual growth will still be obtained and the economic downturn has less influence. As for Maxeda, Inditex-Zara and H&M they will despite maybe not meeting their historical annual growth anymore, that they have had in the past, still have a profitable growth. Their basis that they have established in the existing markets will also grow despite the economic downturn. However we can see that Maxeda is influenced more and sales has dropped since the economic downturn. For both Inditex-Zara and H&M the damage was minimal and their sales still grew annually, only it was lower than the historical growth they once had. But taken into account that non-food retail in general would be more influenced by the economic downturn both Inditex-Zara and H&M are doing well. The difficult market conditions were confirmed by CBS, which reported a total sales decline in the Netherlands for non-food retail of around 7% in the first half year.

92 Financial times (2009), Inditex’s Asia push offsets domestic slump [online] [Accessed on 01-06-2010]
Clustering the retailers in the model of Treatgold is helpful to categorize so that separate real estate strategies can be given. If we use the model of Treatgold in this way we can increase the insight in the real estate strategy of retail firms.

Retailers should strengthen their position in existing markets first by gradually adding more stores and at the same time looking for opportunities in new markets.
Sources

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Appendixes

Appendix I: Interview topics
Appendix II: Interview questions
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Appendix IV: Background information questionnaire
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Appendix VI: Top 100 formulas based on number of outlet and floor space
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Appendix I: Interview topics

In order to assess the manner in which retail firms have implicitly formulated their internationalization strategy, information needs to be collected of empirical data. For the collection of empirical data three possible means exists, namely observation, interviewing and document analysis. This research makes use of personal interviews. This is because within a corporation there generally is merely one or a quite limited amount of people who got the knowledge of the internationalization process and it is general hard enough to find one person in a corporation available for participation in an interview session.

This research is considered to be explorative in its nature, striving for discovery and not so much for verification. The research questions therefore consist of an open nature. The quest for qualitative information necessitates a small-scale method of interviewing and the use of case studies, rather than surveys and statistical analysis.

The structure of the interviews will be structured on the nine points mentioned in the table below. Since the duration of the interviews will probably be limited to an hour all the questions will be related to these 9 points.

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<th>TOPIC</th>
<th>DESCRIPTION</th>
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<td>Mission statement, Format, Product range.</td>
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<td>2</td>
<td>Image / brand</td>
<td>Brand control, Product, Customer preference, Store</td>
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<tr>
<td>3</td>
<td>Entry strategy</td>
<td>Franchising, Joint-venture, Buyout/acquisition.</td>
</tr>
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<td>4</td>
<td>Adaptation</td>
<td>Format, Product Future developments</td>
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<td>5</td>
<td>Efficiency operations</td>
<td>Number of middlemen, Time response to market</td>
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<td>6</td>
<td>Location criteria’s</td>
<td>Market, Niche, Street</td>
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</table>
Appendix II: Interview questions

Here are some examples of research questions that can be used during the interview sessions. The interview questions will mainly be based on the case studies itself and will therefore consists of more in-depth interview questions based on the firm itself. These questions are not included in the list below yet, so the questions below are more like a draft set of basis questions.

- Which aspects have you taken into account when choosing the country and location during the internationalization process?
- What measures have you taken to improve the brand control during the internationalization process?
- How much is the influence of innovation in the internationalization process?
  - Innovation in the format and formula development
  - Innovation within the retail firm
  - Innovation in products
- What measures have you taken to adapt to the market?
  - Existing formulae
  - New formats in existing markets
  - Entering new sectors
- How important is the factor scale and scope in the internationalization process?
- What have your firm done to increase the operation process?
  - Faster operation/ competitive responsiveness
  - Number of middlemen
- There are five success factors mentioned in the literature: Innovation, brand control, adaptation to the market, scale and scope and faster operation. Which factor do you think is the most important? And the following?
- What kind of strategy have you implemented?
- What aspects have you taken into account when making decisions on the entry strategy?
  - Franchising
  - Joint-venture
  - Buyout/ acquisition
- What was the importance of the firm’s culture in the internationalization process?
  - Vision/ goal
- What can be done to optimize the success and chances in the internationalization process if we look back to the process?
- What were the reasons for failures or withdrawals from foreign countries?
  - Internal/ external factors
- What are the trends for the internationalization process the coming years?
- Do you have some tips for other persons or organizations which I can try to approach for more information?
Appendix III: Interview questions retailers • Business process

Apart from the in-depth expert interview sessions with managers from the companies, also short interview sessions have been held with the retailers. These were mainly the employers working in the stores. For private reasons the contact information of these employers aren’t named in this report.

These short interview sessions are mainly conducted to get some insight information about the business process to provide some extra information for the research variable faster operation. The interview goes mainly about the time needed to change the product collection, their efficiency in their production process etc. Some questions that have been asked during the interview sessions are:

- Consist the product collection of your store mainly of a basic collection or has your store also a product collection that will be renewed once every while?
- Does the product collection of your store change after a specific period time and can you tell me the average time needed to introduce the new collection?
- How many times a week will products be refilled in the basic collection?
- What kind of marketing concept has your store implemented to increase the purchases?
- Does your company has a focus on a fast operation process, like efficient distribution or direct relationship between designers and distributors etc.? Can you think of other factors that have an influence on a faster operation process?
Appendix IV: Background information questionnaire

For obtaining more information beforehand some background information can be filled in before or after the questionnaire. This questionnaire has been conducted on street in Leiden and Den Haag. The participants of this questionnaire are customers who have decided to enter the stores of the indicated case studies.

(The answers to these questions can be filled beforehand. These questions doesn’t need to be given to the respondents)

I. Questionnaire
   Date: ........................................
   Time: ........................................
   Location: ......................................

II. Age
   o Beneath the age 20
   o Between 20-30
   o Between 30-50
   o Above the age 50

III. Gender
   o Men
   o Woman

Introduction:
Good morning, I am a student of Architecture and my name is Su Jing Chung. I am doing a research project about the influence of brand control on retail stores. Can I take some time from you to fill in this questionnaire. It will take about five minutes.
Appendix V: Questionnaire brand control

In this appendix you can find the questionnaire used during the research for the aspect brand control. First you can find an English version of the questionnaire and then a more elaborated version of this questionnaire in Dutch. For this research the Dutch version will be used, because this questionnaire will be held in the Netherlands and it would be more appropriate to do it in Dutch.

1. Why did you decide to visit this store?
   o To buy a specific product.
   Can you name it? ....................
   o The show window attracted me.
   o Because of the product assortment of the store.
   o I know this store provides good product and services.

2. Where do you know this store from?
   o Website
   o Personal
   o Advertisement
   o From people

3. If you where to come back to this store, after how much time do you think you will come back?
   o Within this week
   o Within this month
   o Within this year
   o More than a year

4. If you have recently made a purchase in this store, which of the following points do you think had the most influence on your purchase?
   o The shop window/ image of the store
   o Advertisements
   o The atmosphere inside the store (color, music, interior etc.)
   o Location

5. If you were to rank the following shops how would you prioritize them. (1 for best, 2 for second best etc.)
   o Ahold (Albert Heijn, Etos...)
   o Maxeda (Hunkemöller, M&S...)
   o Inditex-Zara (Zara, Bershka...)
   o H&M
[Voor u ziet u een vragenlijst bestaande uit 5 vragen. Bij de eerste 4 vragen kunt u uit meerdere antwoorden kiezen en de laatste vraag bestaat uit een rangschikking tabel tussen vier winkelketens die u met behulp van nummers 1 t/m 5 kunt rangschikken met betrekking tot naamsbekendheid. Het vragenlijst gaat over de winkel die u zojuist heeft bezocht. Voor het beantwoorden van de vragenlijst is ongeveer 5 minuten de tijd nodig.]

1. Wat was je reden om deze zaak te bezoeken?
   - Om een specifiek product te halen. Kan je ook vertellen wat voor een product? 
   - De winkelgevel trok mijn attentie.
   - Vanwege zijn product assortiment.
   - Vanwege zijn goede service en productkwaliteit.

2. Waarvan ken je deze zaak?
   - Van hun website
   - Persoonlijke ontmoetingen
   - Advertenties
   - Gehoord van andere mensen

3. Hoelang schat je de tijd in voor je volgende bezoek?
   - Binnen deze week
   - Binnen een maand
   - Binnen een jaar
   - Meer dan een jaar

4. Stel je schaft een product aan in deze zaak of hebt de afgelopen tijd een product aangeschaft, welk van de volgende punten waren of kunnen van invloed zijn op uw aankoop?
   - De winkelgevel/ ontwerp van de winkel
   - Advertenties
   - De sfeer in de winkel (kleur, muziek, interieur enz.)
   - Locatie

5. Stel u moet de volgende winkelketens rangschikken op basis van meest bekend bij u tot minst bekend bij u, hoe zult u ze dan rangschikken? (Kunt u een 1 zetten achter de winkel die het meest bekend is bij u, een 2 voor de winkel die daarna volgt enz. Als voorbeeld)

<table>
<thead>
<tr>
<th>Ahold (Albert Heijn, Etos...)</th>
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<td>Maxeda (Hunkemöller, M&amp;S...)</td>
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<tr>
<td>H&amp;M</td>
<td>2</td>
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</table>

Kunt u in het volgende tabel uw rangschikking plaatsen op basis van de naamsbekendheid die de winkels bij u heeft?

<table>
<thead>
<tr>
<th>Ahold (Albert Heijn, Etos...)</th>
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<td>Maxeda (Hunkemöller, M&amp;S...)</td>
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Appendix VI: Top 100 formulas based on number of outlet and floor space, source Locatus.

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<td>DISCUS</td>
<td>Dibevo</td>
<td>32.863</td>
<td>96</td>
</tr>
</tbody>
</table>
Appendix VII: Results questionnaire

In this appendix you can find the results of the questionnaire filled out by visitors of the mentioned case studies. For the questionnaire questions you can look at appendix V.

Results questionnaire Ahold

Total of respondents visiting the store Albert Heijn: 20
Date: 22-02-2010 (Monday)
Time: 16.00
City: Leiden

Figure VII.1 Result questionnaire age respondents, Ahold

Figure VII.2 Result questionnaire gender respondents, Ahold

Figure VII.3 Result questionnaire visiting reason, Ahold

Figure VII.4 Result questionnaire reason well-known, Ahold

Figure VII.5 Result questionnaire return time, Ahold

Figure VII.6 Result questionnaire influence purchase, Ahold
Results questionnaire Maxeda

Figure VII.7 Result questionnaire age respondents, Maxeda

Total of respondents visiting the store Hunkemöller: 20
Date: 01-03-2010 (Monday)
Time: 13.00
City: Leiden

Figure VII.8 Result questionnaire gender respondents, Maxeda

Figure VII.9 Result questionnaire visiting reason, Maxeda

Figure VII.10 Result questionnaire reason well-known,

Figure VII.11 Result questionnaire return time, Maxeda

Figure VII.12 Result questionnaire influence purchase, Maxeda
Results questionnaire Inditex-Zara

Total of respondents visiting the store Hunkemöller: 20
Date: 04-03-2010 (Thursday)
Time: 13.00
City: The Hague

Figure VII.13 Result questionnaire age respondents, Inditex-Zara
Figure VII.14 Result questionnaire gender respondents, Inditex-Zara
Figure VII.15 Result questionnaire visiting reason, Inditex-Zara
Figure VII.16 Result questionnaire reason well-known, Inditex-Zara
Figure VII.17 Result questionnaire return time, Inditex-Zara
Figure VII.18 Result questionnaire influence purchase, Inditex-Zara
Results questionnaire H&M

Total of respondents visiting the store Hunkemöller: 20
Date: 25-02-2010 (Thursday)
Time: 13.00
City: Leiden
Results ranking retail firms

Total of respondents: 80
Results of ranking between retail shops from most well-known to least well-known by the respondents.
Ahold, H&M, Maxeda, Inditex-Zara : 56
Ahold, H&M, Inditex-Zara, Maxeda: 24

The points in the table given above are based on the results of the ranking between the retailers in the questionnaire (question 5). People who filled in the questionnaire had ranked the retailers with number one to four. They gave a 1 to the retailer were they were most familiar with, a two for the retailers that follows etc. The point system works in this way that the first ranking gets four point in the points system, second ranking gets three point etc. per filled in questionnaire. For example in our case we had 80 respondents and everyone has stated Ahold as best known therefore het gets 80*4=320 points. For these results I need to tell that I have used the name of the main formula of the case studies during the questionnaire so that people had a better and more common name in mind. For example I used Albert Heijn for Ahold and Hunkemöller for Maxeda. Not that many people knew the name of Maxeda, but when I stated some examples like Hunkemöller, M&S, V&D they immediately knew them afterwards. The results seen in fig. VII.25 shows that Ahold is the retailer that people are the most familiar with, followed by H&M, Maxeda and Inditex-Zara. Figure VII.26 shows the percentage of the retailers were the people are most familiar with in the Netherlands.
Appendix VIII: Interview Redevco

Date: 12/11/2009  
Time: 90 minutes  
Subject: Research “Retail 2010” and trends in international retailing.  
Interviewees:  

• Dick Vos  
  Senior manager Research & Strategy  

• Oedsen Boersma  
  Manager Research & Concepts  
  Redevconcepts

Redevco  

Redevco is an investor in retail real estate around the world. It focuses on a low risk profile and has a long-term focus. In projects it needs to take into account the 10% project development risk.

• A recent project is a rent monitoring system. It monitors all the rent paid by the retailers in shopping malls for the last few years. Aspects are included if they have paid the rent on time, fit-out costs etc.

• For Redevco it is more important that retailers stay there for a long term than the good rent price for a short period. Nowadays it is important to attract retailers. In the past all the retailers will come automatically to us, now we have to look for measures for example like the first three months rent free.

• For Redevco the interest of the consumer is the most important, because it in turn will determine the turnover and this in turn decide the value of the real estate. So their exist a **triangle consumer, retailer and investor**. We also have to take into account the changing shopping behavior of the consumer.

• Another thing is to look at which location, which type of retail, store and consumer we are talking about. For example with a shopping mall we are faced with two owners, but in a main shopping street we can face with a high number of owners that will be difficult to manage.

• It is important to analyze all the retailers that exist there in the neighborhood.

Trends  

• Some important trends are the up come of the internet distribution channel. This has spatial consequences for the retail stores. So there exists a **struggle between internet and physic real estate**.

• Also important is to not only look at the aggressive internationalist, but also the defensive internationalist that uses a **defensive expansion strategy**.

Retailers  

• You have two types of retailers. Retailers who internationalize with little distinguished products and retailers who internationalize to create an **international brand**.

• There is a relationship in the aspects international image, status, brand, number of stores and its specialty.

• **Family firms** - > **Defensive strategy** (earned own money and career)

• **Stakeholder’s firms**(beursgenoteerd) - > Inditex-Zara, H&M, **transparent to shareholders**.

Annual reports.
Mediamarkt/Metrogroep

- Despite the recession Mediamarkt is rather doing well. He is faced from two sides. First people are buying less in the electronic sector and secondly it is facing with the upcoming of the internet distribution.
- Mediamarkt is now extending its market share to be able to come as the best market leader in 2010, 2011.
- Mediamarkt has a big portfolio, but they are not doing well because of their physic scale. Their strategy is to take the change now to grow. If the economy is going better later on they will have less local competitors. The competitors are now frail, so they are using this change to defeat them.
- Mediamarkt stays out, keeps expanding. Focuses on its physical appearance, new services, retail formats and image stores.
- German origin, focuses on the façade with the name “Mediamarkt”.

Hema

- Hema has a high pressure to meet with the reasonable high price for their products. Therefore they are concentrating to expand to even the small spots in the Netherlands.
- They have expanded in Belgium and French.
- They have a pressure on the loan of the firms. For this reason it is important to have a strong home base.
- Hema uses a defensive strategy because of its particular financing. They feel pressure to take actions.
- Retailers wants to use a strong international strategy, but to acquire it they need to have a strong home position, the home market.

C&A

- Has a defensive strategy
- C&A focused on economies of scale. They didn’t realize that the people in Portugal were different than in German. The trousers didn’t fit, so needed to reproduce the whole stock.
- Economies of scale only work in country that looks like another. Otherwise 90% research 10% production.

Coton

- Coton in Turkey has expanded to the East. There is also a movement from East to West, with is maybe more logical. More purchasing power in the West. A strong expansion strategy is needed.
- A strong international expansion strategy will weaken the local retailers.
- Not only economies of scale but also assuring its position in the market. Precisely during these time. Using a defensive strategy.

Ahold

- Improving its position in the home market during these times.
- Dixons
- Dixons withdraws, is not able to cope with concurrence.

Internet

- A research evaluation about the internet. Stayed more or less the same in the fashion sector.
- What is interesting is to tackle those sectors who have relatively a strong decrease in sales, turnover(sustainable products) who are captured in the recession and internet. (from both sides)
- Physic and internet distribution channel
- H&M and Esprit is doing well in using the internet.
• Mediamarkt is relatively new in using the internet.
• The demand for internet is getting bigger. Turnover loss because off loss in service costs. Owners can miss the turnover. How do retailers deal with the turnover gained from internet.
• C&A brought under Wehkamp.
• Preventing war/struggle between the physic retailing and the internet retailing.

Defensive strategy
• Having a defensive strategy means not willing to give place to others. They are prepared for competition. For example C&A used a cheaper formula, Atlanta, as a counterbalance to the competition.

Internationalization
• There are little non-Dutch formulas in Netherland, but a lot Dutch formulas in the foreign market. Internationalization in the Netherlands is limited. Traditional Dutch formulas used as an international strategy. Little international newcomers. Little appropriate locations.
• What do you mean with internationalization. Retailers who are prepared to make substantial costs to expand.

Sasia and Sting
• Tilburg
• Sasia and Sting are both Dutch family firms.
• They are busy with creating the brand, more quality, champagne. Their conclusion is they cannot expand in Netherlands anymore otherwise it will have affects on its unique quality. They will lose their specialty. They need to keep it at a high level.
• They are looking for market closest to the Netherlands. Will have less distribution problems, but have to take into account that the fashion in the French is different than here.
• Sasia act more well-thought, has a particular philosophy.
• Sting is more optimistic. Made the decision to rent 6 stores at once. This includes more risks.

Financial issue
• Nowadays retailers want to expand, but can’t get their finance right. Important is to look into the financial components and where you can get the loans.

Reduce risks
• Market analysis. What kind of consumer will you be confronted with. Cultural differences. How is the economy, the purchasing power of the people. Their interests on fashion. Does the brand fit with the sector. How is the real estate where I can rent the store, location. East-Europe countries have less traditional real estate property. Till short little possibilities to expand there. Is developed in a short time. Istanbul now has 40,50 shopping mall to choose from. First much less.
• Contact people who now the market well. Orientation in the market. Mature markets in Europe are relatively more easily to enter.
• Prevent negative branding. If internationalization process fails it will leave a negative image behind in the market.
• Conglomeration advantage1+1=3. Inditex-Zara and other anchors decide for a great deal were other retailers go to.
Appendix IX: Contact Information

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Dutch executive summary

INTRODUCTIE

In de laatste jaren is internationalisering van bedrijven uitgegroeid tot een centrale punt van bespreking. Bedrijven en landen in toenemende mate worden beïnvloed door omstandigheden en gedragingen buit hun lokale context. Er is zowel een toename in het volume van de internationale activiteiten en een verruiming van het ruimtelijk bereik van internationale activiteit.\(^{93}\)

Dit internationaliseringproces heeft een steeds grotere invloed op corporaties strategieën en heeft consequenties op de ontwikkelingen van de detailhandel. Onderzoek over de internationalisering in de detailhandel is gegroeid, maar veel van dit onderzoek heeft zich gericht op alleen de gebeurtenissen. Voordat deze processen geplaatst zijn in een model is er weinig onderzoek gedaan dat processen overweegt die verband houden met de volgorde van gebeurtenissen. Een dergelijk model is essentieel voor het theoretisch en conceptueel begrijpen van het begrip internationalisering om van nut te zijn voor academici die bezig zijn met hoe bedrijven functioneren en om managers die belast zijn met de leiding van de firma. Dit onderzoekproject concentreert zich op het evalueren van beslissingen over onroerend goed die tijdens de gebruiksfase van de levenscyclus van het gebouw zijn gemaakt om een aantal aanbevelingen in de initiatie en ontwerpfase voor toekomstige activiteiten te geven. Aan het einde van dit onderzoekproject zal een reeks van aanbevelingen over onroerend goed worden gegeven over het internationaliseringproces van ondernemingen. Deze aanbevelingen zullen advies geven aan bedrijven in de detailhandel op aspecten zoals de keuze van de locatie van verkooipunten, hun omvang, gevel enz. maar hierbij kun je ook denken aan aspecten die tot verbetering kunnen leiden in het proces management.

PROBLEEMSTELLING & ONDERZOEKSVRAGEN

De probleemstelling is dat het internationaliseringproces zelf is een complex fenomeen is en niet voldoende inzicht bestaat in het internationaliseringproces van bedrijven in de detailhandel om een vastgoed management model te generaliseren.

De hoofdvraag voor het onderzoek is als volgt: Hoe kunnen we met gebruik van het model van Treatgold het inzicht in het vastgoed strategie van detailhandel bedrijven vergroten en hoe zien deze eruit?

Sub onderzoeksvragen die beantwoord moeten worden tijdens het proces zijn voornamelijk over de verschillen in vastgoed strategie tussen de "Emboldened Internationalists" en de "Aggressive Internationalists".

MODEL VAN TREATGOLD

Voor dit onderzoekproject wordt het model van Treatgold gebruikt. Treatgold's (1988) typologie van transnationale detailhandel is gebaseerd op operationele strategieën en de geografische aanwezigheid van internationale retailers. In het model van Treatgold zijn er vier clusters genoemd: de "Cautious Internationalists", de "Emboldened Internationalists", de "Aggressive Internationalists" en de "World Powers". Voor meer informatie over deze vier clusters kunt u hoofdstuk 1.2 lezen. Voor dit onderzoekproject hebben we alleen gefocusd op de vastgoedstrategie van de clusters "Emboldened Internationalists" en de "Aggressive Internationalists".

\(^{93}\) Dawson, J and Mukoyama, M. (2006), Strategic issues in international retailing, Oxon: Routledge Taylor & Francis Group, pp. 1
DATAVERZAMELING & ANALYSE

De methodologie die gebruikt is tijdens het onderzoeksproces zijn vooral doormidden van case studies, literatuurstudie en andere dataverzamelingen, zoals interviews en vragenlijsten. De criteria voor de keuze van de case studies is gebaseerd op dat de bedrijven in de detailhandel zelf het internationaliseringsproces zijn ondergaan en ze winkels hebben in Nederland. Een ander criterium is dat elke case studie een clustering in het model van Treatgold moet vertegenwoordigen. De gekozen case studies van dit onderzoeksproject zijn Ahold, Maxeda voor de cluster "Emboldened Internationalists" en Inditex-Zara en H&M voor de cluster "Aggressive Internationalists" in het model van Treatgold. Meer informatie over deze case studies zijn opgedaan met gebruik van secundaire informatie, interviews en vragenlijsten.

Naast de case studies is er een aparte literatuurstudie gedaan aan het begin van het proces om meer inzicht te krijgen in het internationaliseringsproces. In eerste instantie is meer informatie opgedaan in de verschillende fasen van internationalisering, de basis van een internationalisering strategie en hun succes- en faalfactoren. In het tweede deel zijn bestaande generieke internationalisering theorieën in de literatuur onderzocht of zij van toepassing zijn op de bedrijven in de detailhandel. Deze informatie is gebruikt als secundaire informatie en uit de literatuurstudie zijn uiteindelijk vijf onderzoeksvariabelen geselecteerd.

REDEN TOT INTERNATIONALISERING CASE STUDIES

Ahold besloot om te internationaliseren vanwege hun ambitie om de beste retailer te worden van de wereld. In elk land waar ze zijn binnengedrongen zijn ze gericht om de beste voedseldistributie te worden van het land. Zij bereiken dit met een dominante positie in de markt. In de supermarkt branche stond Ahold in de jaren 80 in de top drie na belangrijke ketens Wal-Mart en Carrefour. Ahold wilde hun ambitie om een top voedseldistributie te worden in de wereld waar maken. Vanwege deze grote ambitie hebben ze besloten om te internationaliseren. De snelste manier voor Ahold toen om uit te breiden is door middel van acquisities.

Maxeda had een ander beweegreden om te internationaliseren in vergelijking met Ahold. Voor Ahold was het vooral omwille van hun ambitie om een wereldwijde voedseldistributie te worden en voor Maxeda was het vooral vanwege de groeiende financiële capaciteit die ze hadden. Hoofdketens van Maxeda, zoals Hunkemöller hadden beperkte groei mogelijkheden in hun binnenlandse markten. Deze ketens hadden meer groei mogelijkheden in het buitenland en dit vormde de belangrijkste reden om internationaal te gaan in België, Frankrijk, enz. Het belangrijkste verschil tussen Maxeda en Ahold is dat Maxeda beslist om uit te breiden alleen als het financieel aantrekkelijk is en voor Ahold kwam het juist door de drang om uit te breiden zodat ze een stap dichter kwamen tot een dominante voedseldistributie. Ze gebruikten hierdoor meer een agressieve aanpak. In de afgelopen jaren heeft Maxeda echte minder winst geboekt dan de jaren ervoor gedeeltelijk door de recessie. Maar Maxeda blijft het goed doet in een slechte markt. In de afgelopen jaren kunnen we wel zien dat Maxeda minder internationalisering pogingen heeft ondernomen.

Voor zowel Inditex-Zara en H&M hebben ze hun internationalisering pogingen ondernomen om hun naamsbekendheid te verhogen wereldwijd. Zowel Inditex-Zara en H&M hadden al een dominante naambekendheid in hun eigen markt. Hun volgende poging was om hun merk te introduceren in andere bekende modesteden, zoals Parijs en Londen. Ze wilden een wereldwijde naamsbekendheid creëren. Om dit te bereiken hebben ze stap voor stap uitbreidingen ondernomen en langzamerhand werden ze bekend in de landen waar ze zijn binnengekomen. Hun merk werd langzamerhand bekend over de hele wereld.
ONDERZOEKSVARIABELEN
Voor dit onderzoeksvoorbeeld zijn vijf onderzoeksvariabelen geselecteerd op basis van de literatuurstudie. In dit onderzoek willen we kijken naar de focus van deze onderzoeksvariabelen tijdens het internationaliseringproces. Deze variabelen zijn innovatie, naamsbekendheid, aanpassing, schaal en omvang en een snelle operatiewaarde.

**Innovatie:** Innovatie kan worden toegepast op drie niveaus, formule ontwikkeling, de processen binnen de onderneming en om de items (goederen en diensten).

**Naamsbekendheid:** Naamsbekendheid is actief in drie niveaus: dat van het bedrijf, de winkel en het item. Voor de aanbevolen strategie is het belangrijk om te kijken welke aspecten het merk kan verbeteren op deze drie niveaus. Deze kunnen de grootte, gevel, locatie etc. zijn van het vastgoed.

**Aanpassing aan de markt:** De mate van aanpassing van de formule aan de markt heeft een grote invloed op het welslagen van het internationaliseringproces. Daarom zijn sommige aanbevelingen over de aspecten van de aanpassing van de formules en het proces in het algemeen gegeven. Hiermee kunnen we rekening houden met het gebruikte item strategie, het distributiekanaal, enz.

**Schaal en omvang:** Voor het aanbevolen vastgoed strategie kan het aspect schaal en omvang niet overgeslagen worden. Enkele aanbevelingen worden gegeven over de omvang en grootte van de winkels, maar ook de locatie is van groot belang.

**Snellere werking:** Voor dit aspect zal voornamelijk worden geduid op aanbevelingen voor het proces management van bedrijven. Wat kan worden gedaan ter verbetering van de bedrijfsprocessen in de verschillende case studies en in het internationaliseringproces algemeen.

EMBOLDENED INTERNATIONALISTS
“Emboldened Internationalists” oefent een hoog controle en gebruiken daarom in het algemeen hogere expansiekosten, maar ze hebben een lange tijd van internationale expansie gekend en zijn begonnen om markten in te gaan die wat verder afgelegen zijn in culturele en geografische aspecten. For deze cluster zijn er twee case studies onderzocht. Deze zijn Ahold en Maxeda. Uit de resultaten van het onderzoek kan een aantal gelijkenissen gevonden worden tussen de twee case studies Ahold en Maxeda. Voor de onderzoeksvariabele innovatie hebben beide case studies een sterke focus op innovatie in de winkel concepten. Of het nu om de distributie concepten (online winkels), marketing concepten (het publieken van nieuwe tijdschriften) of de winkel concepten zelf gaan. Zowel Ahold en Maxeda hebben ze een centrale winkeldesign. Als we kijken naar de onderzoeksvariabele aanpassing hebben ze beide een focus in de aanpassing in de formules of in hun collectie. Het geringe verschil tussen beide case studies is dat Maxeda hun collectie iets meer aanpast in vergelijking met Ahold. In beide gevallen is de belangrijkste mode voor het binnendringen van een markt hoofdzakelijk door acquisities. Franchising of joint-venture zal worden gebruikt in de landen waar de retailers minder vertrouwd zijn.

Verschil is te vinden in de variabele naamsbekendheid. Ahold heeft een veel betere naamsbekendheid in vergelijking met Maxeda. Ahold heeft een dominante positie in de supermarkt branche en de modeformules Hunkemöller en M&S van Maxeda heeft nog niet de dominante positie in de modebranche in Nederland bereikt. Als we vergelijken met de variabele schaal en omvang heeft Ahold ook een sterkere focus dan Maxeda. Het aantal winkels van Ahold in totaal in Nederland zijn veel meer dan die van de winkels van Maxeda. Uiteindelijk, als we kijken naar het bedrijfsproces is er een verschil in de snelheid van het veranderen van het product collectie. Voor Ahold is het een keer per week en voor Maxeda is het tussen de 2-4 weken. Dit kan voornamelijk worden verklaard door het verschil in branche.

AGGRESSIVE INTERNATIONALISTS
“Aggressive Internationalists” hebben een hoge controle over zijn operaties en zijn in een groter variaties van markten ingegaan. Deze cluster bestaat uit retailers waarvan hun ambitie om een prominente internationale positie te bereiken al is verwezenlijkt. In deze cluster zijn vooral wat
ervaren retailers aanwezig. Voor de cluster "Aggressive Internationalists" zijn twee aparte case studies onderzocht. Dit zijn Inditex-Zara en H&M, beide sterke internationale spelers in de mode branche.

Als we kijken naar de variabele innovatie kunnen we zien dat beide gevallen een sterke focus op innovatie heeft, maar beide op hun eigen manier. Of het nu gaat over hun eigen winkel formules, het ontwerp, distributiekanalen enz. Beide case studies hebben ook een sterke focus op hun naamsbekendheid, maar in Nederland is Inditex-Zara minder bekend dan H&M. Redenen hiervoor zijn dat Inditex-Zara minder winkels in Nederland heeft in vergelijking met H&M. Als we nu naar de variabele schaal en omvang kijken kunnen we zien dat H&M een grotere aanwezigheid heeft in Nederland en beter bekend is in vergelijking met Inditex-Zara. Maar Inditex-Zara heeft weer een veel grotere internationale aanwezigheid in de wereld. Ze hebben een veel groter portfolio over de hele wereld en zij zijn te vinden in meer landen dan H&M. Beide case studies hebben een sterke focus op hun winkelontwerp.


CONCLUSIEN EN AANBEVELINGEN
We zullen nu antwoord op de hoofdonderzoeksvraag over hoe we met het gebruik van het model van Treatgold het inzicht in de vastgoedstrategie van bedrijven in de detailhandel kan vergroten. In de eerste plaats in dit onderzoek wordt het model van Treatgold uitsluitend gebruikt als een kwalificatie van internationale retailers. Door de clustering van de retailers is het meer gestructureerd, zodat aparte vastgoedstrategieën kan worden gegeven. Op deze wijze kunnen meer geschikte vastgoed aanbevelingen gegeven worden en het is beter om deze aanbevelingen te clusteren in het model. Als we het model van Treatgold op deze manier gebruiken kunnen we het inzicht in de vastgoedstrategie van de bedrijven in de detailhandel verhogen. Nooit eens in het verleden is geprobeerd om de aanbevelingen op basis van deze clustering te geven. Voor dit onderzoek hebben we echter alleen naar case studies gekeken van de twee cluster "Emboldened Internationalists" en "Aggressive Internationalists". Dat is de reden waarom voor de beantwoording van deze onderzoeksvraag ik alleen aanbevelingen over de vastgoedstrategie zal geven voor deze twee clusters. Voor de twee andere clusters "Cautious Internationalists" en "World Powers" kunnen aanbevelingen gegeven worden door toekomstig onderzoek.

Als we nu eerst eens kijken naar de twee case studies die onderzocht zijn in dit project uit de cluster "Emboldened Internationalists" in het algemeen hebben de case studies in deze cluster een focus op innovatieve winkelconcepts en marketingconcepts. Ze hebben een focus op de variabele naamsbekendheid, vooral in hun thuismarkten. Ze hebben een centraal winkelontwerp en hun productcollectie bestaat voornamelijk uit een ruime basiscollectie. Deze collectie is min of meer hetzelfde in de andere markten die zij hebben met slechts kleine aanpassingen in de collectie. Ze hebben minder nadruk op het aspect aanpassing dan de "Aggressive Internationalists", omdat zij een minder trendgevoelige productcollectie hebben. Dat is ook een van de redenen waarom zij ook
minder focus hebben op een sneller productieproces. Retailers in de cluster “Emboldened Internationalists” zijn geëxpandeerd rond de 2,3 continenten en hebben een focus op hun thuismarkt.

De onderzochte case studies in de cluster "Aggressive Internationalists" richten zich meer op de variabelen aanpassing, schaal en omvang en sneller productieproces dan de "Emboldened Internationalists". De "Aggressive Internationalists" hebben ook een sterke focus op innovatie en naamsbekendheid, maar hun merk is meer internationaal bekend dan dat van de "Emboldened Internationalists". De "Aggressive Internationalists" richten zich ook meer op de individuele architectuur van de winkels dan de "Emboldened Internationalists" die meer een centraal winkelontwerp hebben. Als we kijken naar het aspect aanpassing hebben de "Aggressive Internationalists" er meer aandacht voor, want ze hebben een meer trendgevoelige productcollectie. De collectie moet regelmatig veranderd worden na een bepaalde periode om zich aan te passen aan de veranderende trends. Om deze reden hebben zij ook in het algemeen een korter bedrijfsproces, zodat ze sneller kunnen reageren op veranderende behoeften van de klanten en veranderende trends. Dit is een belangrijk aspect, zodat ze sneller kunnen reageren dan de andere concurrenten. Wat betreft het aspect schaal en omvang hebben de "Aggressive Internationalists" in het algemeen een grotere portfolio dan de "Emboldened Internationalists". Ze zijn wereldwijd in meer landen over de hele wereld te vinden en hebben een betere naamsbekendheid. Retailers in deze cluster zijn wereldwijd een belangrijke speler, die zijn uitgebreid rond de 4 of 5 continenten en hebben een wereldwijd naamsbekendheid gerealiseerd. De conclusies die boven gemaakt zijn gelden voornamelijk op de onderzochte case studies in dit onderzoeksproject. Geprobeerd is om de onderzoeksresultaten te generaliseren, maar er kan niet gezegd worden dat de onderzoeksresultaten gelden voor alle retailers in deze clusters. Om algemene conclusies en aanbevelingen te geven zullen er meer case studies onderzocht moeten worden om aan betrouwbare conclusies te komen.

Individuele aanbevelingen zijn gegeven per case studie. Voor Ahold geldt dat ze vooral kunnen groeien in de bestaande markten door geleidelijk aan meer winkels te openen en op hetzelfde moment te kijken naar mogelijk potentiële formules die ze kunnen overnemen. Ahold zal het beste zijn focus op innovatie en branding kunnen behouden. Voor Maxeda geldt dat ze zich moeten concentreren op groeien in de bestaande markten en voor de markten Spanje en de Baltische Staten, waar ze in het algemeen minder winkels hebben geopend, is het belangrijk om eerste wat meer naamsbekendheid op te bouwen. Maxeda zal ook meerdere Fashion collecties per jaar kunnen introduceren. Voor Inditex-Zara geld min of meer hetzelfde. Geleidelijk meer winkels openen in Europa en Amerika en de naamsbekendheid vergroten in de wat nieuwere markten, zoals Azië en Afrika. Belangrijk voor Inditex-Zara is dat ze de laatste trends meer volgen. Als laatst zijn er voor H&M genoeg groeimogelijkheden in Europa en Amerika. In de west kustzijde van Amerika, Middenoosten en Azië kunnen ze groeien afhankelijk van de markt daar. In het algemeen kan gezegd worden dat alle case studies eerst hun basispositie in hun bestaande markten moeten versterken door langzaam aan meer winkels te openen en op hetzelfde moment te kijken naar groeimogelijkheden in het buitenland.
Retailers should strengthen their position in existing markets first by gradually adding more stores and at the same time looking for opportunities in new markets.