Internationalization in Retail Trade Services Market as Latecomer Countries Problem: the Case of Lithuania

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Abstract

The aim of the article is to examine the specificity of internationalization in the market of retail trade services.

The article focuses on the role of retail trade services sector in Lithuanian as a latecomer country. This sector has encountered increasing competition recently not only due to sharp competition between local players, but also due to the entries of overseas players to the market. Internationalization as a phenomenon touched the retail trade services sector in Lithuania not very long time ago.

The article provides theoretical findings describing the speciality of internationalization in retail trade services sector, which were not specified for these services as one; a deeper overview of internationalization development in retail in a specific Lithuanian sector, as well as strategic view to what should be done for Lithuanian retailers to enter foreign markets with retail services (food and non-food products) and how to gain competitive advantage against foreign providers of retail services.

Keywords: internationalization, retailing services, services sector, Lithuania, latecomer country.

Introduction

In the recent twenty years attention to latecomer countries both from the point of view of researchers and practitioners is increasing. Enterprises from emerging markets illustrate successful practices of penetration to other markets with one or other kind of business: industries or services. Lithuania exemplifies a latecomer country because the recent twenty years were impacted by the transformation of industrialization processes in all economic sectors as well as in retailing. Enterprises from latecomer countries are usually growth-oriented (Lee, Hayter and Edgington, 2010). Shan and Jolly (2011) relate the development of emerging countries to the process of industrialization in a country. More attention by these authors is paid to developing industries in their local territory and exploited possibilities to export industrial items. Late-industrialized countries follow the experience of well developed countries enterprises, take their know-how in specific sectors and combine their own capabilities to develop. This is why the development of particular sectors gains specific trajectories of their increase.

The sector of retailing services in Lithuania, as in other latecomer countries, plays a great role in the development of entire economy. The sector of retail services employs a large part of employees, as well as creates a large part of gross national product of any country. The GNP created by Lithuanian retailers makes about 14 percent of all GNP (Structural Business Statistics Survey Indicators, 2010) which leads us to the assumption about the influence of retail trade services sector on the entire country’s economy. In comparison to other EU countries, the turnover of Lithuanian retailers is not very high, but with reference to the Lithuanian market with the population of just about 3 million citizens it is rather significant. For example, the retail trade services sector in the UK creates about 16 percent of the GNP (Burt, Sparks and Teller, 2010).

However, even though the retail services sector plays a large role in the level of local economy, not many retailers are known as members of the largest international services actors globally (Chan, Finnegan and Strenquist, 2011). This is why nowadays more and more attention is paid to internationalization in retailing services sector (Doherty, 2007; Eren-Erdogmus et al., 2010; Alexander, Rhodes and Myers, 2011), its influence on structural or other changes in retailing. Researchers investigate various issues related to retail internationalization, market selection, retail management considerations, host country characteristics underlying retail internationalization. Changes in retailing services sector globally (Bates, Bates and Johnston, 2003; Lorentz, Hakkinen and Hilmola, 2006; Fels, 2009; Burt, Sparks and Teller, 2010) are observed. The importance of knowledge in the internationalization of retailing is pointed out in the research by Runfola and Elg (2011), Sekliuckiene and Langviniene (2011). Even though the interest of researchers in the internationalization of retailing is growing up, they agree that internationalization in this sector of services is a rather complex one, inconsistent and poorly understood.

Internationalization in the market of retailing services in emerging or less developed countries as well as latecomers is analysed rather fragmentally (Shi, 2011). Of course, this is related to the specific nature of such countries, as they are less attractive to international retailers. However, entering the European Union opens
more and more opportunities for local and foreign retailers in the majority of the EU members. Research on retailing in Europe (Colla, 2003; Wortmann, 2011) shows that internationalized retailers gain some competitive advantages before others; it is local retailers that are not related to foreign capital. Although retail internationalization has become a prominent topic of academic and professional discussions in recent years (Hanf, Dautzenberg and Pall, 2010; Lee, Hayter and Edgington, 2010), there is still little research on retailing in Lithuania. The researchers tend to disclose the specificity of trends in the development of retail services (Zitkiene and Sekliuckiene, 2004; Sekliuckiene and Langviniene, 2011). Thus research is rather fragmental; and there is still a need to look through the all situation of internationalization in the sector of retail services, which plays a very impressive role in the local economy.

The research problem analysed in this article can be defined by the following questions: what are the main features of internationalization in the retail services market? Is internationalization in latecomer countries different from well-developed countries? What expression of internationalization in retail operations is characteristic of latecomer countries? What is the specificity of internationalization of Lithuania retailing services sector and current trend?

The aim of the article is to disclose the main problems and specific features of retail trade internationalization in Lithuania as one of latecomer countries.

The subject of the research is retail trade services sector except of motor vehicles and motorcycles and retail trade of automotive fuel. The authors of this article focus on two main sub-classes of the retail trade: 1) retail trade of food products, alcoholic beverages and tobacco and 2) retail sale on non-food products.

The research strategy is a case study of Lithuanian retail trade internationalization.

The methods of research are the analysis of research literature and statistical data analysis.

In the first part of the article theoretical aspects of internationalization are presented. The specificity of internationalization in the retail services sector is stressed. The most important ways for penetration to foreign market with the retail services are discussed. This part of the article generalizes the strategic development of rapidly developing markets retail domestic players. Three stages of development are identified: as a local player, internationalized player and a global one. The rationale for the research methodology is provided in the second part of the article. Drawing on the secondary data, an analysis of survey findings of Lithuania retail trade services market is presented in the third part. The main economical indices, as well as derivative indices, representing the retail trade changes, foreign direct investment to Lithuanian retail trade, and Lithuanian investments to foreign retail trade services sector are interpreted. The fourth part of the article elaborates on the specificity of internationalization in Lithuanian retail trade services sector. There is a discussion about three ways of internationalization specificity in latecomer countries.

The features of internationalization in retailing services

The industry of retail services, like many other industries, is becoming increasingly internationalized. The scale and importance of international activities are different. However, the proportion of sales accounted for by international retail operations is generally highest in the non-food sector, particularly among clothing retailers, although when measured in absolute value – the large food based companies dominate (McGoldrick, 2002). According to Godley and Fletcher (2000), the major retailers stepped outside their own national borders in the first 30 years of the 20th century, but very intensive international retail activities started in the 1980s. This is why there is a range of studies and research works (Alexander and Myers, 2000; Dawson and Mukoyama, 2006; Akhter and Barcellos, 2011), looking at motives for internationalization, market entry choice, foreign expansion strategies, dynamic process models and basic operational issues. Other researchers (Lu, Karpova and Fiore, 2011; Hermel and Khayat, 2011) tried to explain different company’s international operations activities and entry mode choice by using entry mode theories: transaction cost theory, Dunning’s Eclectic Paradigm, Uppsalas and I-models, network and resource-based theories.

According to Helfferish, Hinflaelaar and Kasper (1997), there are many ways of classifying international retailing. Usually researchers are interested in the internationalization of retail operations, rarely on the internationalization of retail concepts, internationalization of consumer spending and internationalization of management functions.

For a better understanding of internationalization in retail operations, it is necessary to know the features of the internationalization process. The choice of an appropriate internationalization strategy and entry mode is crucial for an enterprise in terms of resource commitment, future performance and expansion as well as for maintaining the company’s own image (Chan, Finnegan and Strenquist, 2011). In general, retail enterprises start with a geographical expansion across the national borders but shortly thereafter move into more distant countries (Fernie et al., 2006). Of the largest 100 enterprises, the smaller enterprises concentrate on rapid geographical expansion, whereas the largest enterprises tend to pursue market consolidation strategies, such as divestitures, market exits and cross-border asset swaps (Dawson, 2007).

The choice of way of penetration is usually stipulated by both country’s factors named as market-related factors and factors of company’s level. The factors of country’s attractiveness include competition and factors related to a foreign country’s political and economic stability. Operational characteristics of international retailers, such as company size, experience in foreign markets, financial and human resources play a role in the entry mode choice.

There are several methods of international expansion open to retailer: internal expansion, merger or takeover, franchise – type agreements, joint ventures and strategic alliances, non-controlling interest. According to
McGoldrick (2002), different options require different levels of resource commitment, allow different rates (i.e., speed) of market entry, involve different degrees of local market knowledge and provide varying degrees of domestic control. High control entry modes demand greater resource commitments abroad; and the foreign operation is exposed to a higher degree of uncertainties. Low control modes require more limited resource commitment, and investment risk is much lower.

Investigating the specific nature of retail internationalization process, it may be noted that enterprises of foreign countries penetrate into foreign countries combining different mechanisms of entry modes. Burt (1991) found some evidence of preferred entry mechanisms by retailers from different domestic markets. French grocery retailers develop internationally by operational joint ventures, in contrast to the British grocery retailers who preferred to acquire existing companies. This pattern was explained by a replication of preferred growth mechanisms in the domestic market (i.e. acquisition was the normal method of expansion in the British retail sector) and by characteristics of the destination market. Entry mechanisms depend also in what sector – grocery (food) or non-food companies operate. In grocery sector, the operating scale at the local level is very important. According to McGoldrick (2002), acquisition is a market entry mean, particularly in developed markets such as the USA, UK and markets with a limited number of established indigenous operators (e.g. Eastern Europe and ASEAN markets). In other sectors, such as fashion and clothing, where niche segments of markets is the target, there are other international growth trajectories. Fashion and clothes retailers can select from a variety of entry modes when they are entering a foreign market, such as export of their products, participation in franchising agreements, involvement in joint ventures and operational alliances, or establishment of wholly owned subsidiaries. A fashion retailer may use more than one entry mode type for its operations in different countries (Lu, Karpova and Fiore, 2011).

According to Doherty (2007), clothes retail industry is closely related to franchise as an entry mode for internationalization. International franchising, according to Doherty (2007), gives a lot of excellent opportunities for retail services industry and its expansion. Franchising is a cornerstone strategy for international retailers selling clothes, shoes, DIY (Do It Yourself), hardware and garden goods.

Analysing internationalization of retail operation, it is very important to mark not only the entry mode strategy, but an experience of enterprises penetration to other markets and making internationalization operations, too. In particular, the first foreign country entered provides broad learning opportunities and influences the future performance. The characteristics of the first international entry should reflect the retailer’s assessment of fundamental environmental characteristics required in order to consider shifting relatively valuable enterprises’ resources, such as attention from top management team and firm financial resources, away from domestic operations (Chan, Finnegan and Strenquist, 2011). Therefore, operations of enterprise’s internationalisation and internationalization of retail trade services sectors of specific countries should be evaluated considering the degree of foreign and local as well as enterprises’ activity and their trajectories.

Eastern and Central European countries are as latecomer countries. Asian, South American countries, because of their rapidly growing economies, also can be described as latecomers. As this article contributes to the internationalization of retail operations research with an empirical investigation of retail sector of rapidly developing country Lithuania, it is necessary to define not only the methods of global retailer’s international expansion, but also the methods of domestic big player’s expansion to other countries.

Lassere (2007) described the traditional international operations competitive trajectory of manufactured enterprises from rapidly emerging countries like South Korea, Taiwan, China and Russia. He had a look at the timeline and stated that emerging market champions adopt a two-step approach: 1) they succeed in building volume in a protected home market largely ignored by multinational enterprises; 2) in the international markets they first start importing low-priced products through distributors’ brands and progressively build their own distribution network and later on their foreign presence via acquisitions. The retail research for decades has discussed if it can explain internationalization of retail sector according to the manufacturing or consumer goods industries rather than to consider if retailing per se exhibits characteristics which make such adaptations fruitless.

Drawing on Lassere’s (2007) work, three emerging stages of enterprises internationalization can be distinguished:

1) domestic player and exporter;
2) internationalisation;
3) global player.

Industrial enterprises from latecomer countries in the stage of internationalization exercise are active through acquisitions of well-known brands from developed countries. Hereby the know-how of the strongest enterprises is overtaken and own trademarks are created on the basis of their strengths. Large investments are made trying to create strong own trademarks.

Retail trade enterprises come with their own trademarks and in the stage of internationalization they invest into the modern logistics system and promote their trademarks very strongly. Lassere’s (2007) differentiation to the stages, as well as specificity of retail trade enterprises’ development helps us to provide the strategic development of rapidly developing markets retail domestic players (Figure 1).

Hanf, Dautzenberg and Pall (2010) discussed about the contributions of retail internationalization to the development of the food retail trade industry in the Central and Eastern Europe. The above mentioned authors note that former nationally oriented retailers have become global suddenly. This process also affects new structures in
food retail industry, most notably as general retailers export their business models.

In developing countries the transition process of the retail sector from state-run retail shops and retail cooperatives and farmer’s markets to western-style large format retailers was accompanied by foreign investments, and, therefore, also by changes in the procurement systems (Hanf, Dautzenberg and Pall, 2010).

There were six major changes, as Dries, Reardon and Swinnen (2004) indicated:

1. A shift from local store-by-store procurement to (nationally centralized) large and modern distribution canters.
2. A shift in procurement from regions rather than countries.
3. A shift from traditional brokers to new specialized wholesalers.
4. A shift to increasing use of global logistic enterprises.
5. A shift to preferred supplier systems.
6. A shift to high private standards of quality and safety.

The changes, mentioned above have affected the structure of sales channels, the reconsideration of the concepts of retailing competition and the change of buyers’ purchasing habits. The retail trade sector structure is characterised by a number of common attributes, including a greater outlet size, increase in the retailer concentration and the adoption of a range of formats by retailers to reach as large a customer base as possible.

Morganovsky (1997) and Hollingsworth (2004) noticed that the increasing diversity of retail formats influences the growing competition between retailers. Small enterprises compete with large ones by individual approach to a customer, smaller, more convenient stores, etc. Larger supermarkets compete by the possibility to offer a lot of products under one roof. Both wide and deep assortment is provided at the larger stories.

Zitkiene and Sekliuckienė (2004) distinguish the following basic changes of competition in retailing services sector:

- the expansion of the activity into the small markets. Usually it is the locality, in which less than 200 thousand population reside; in addition, local competitors are fewer in such localities;
- the process of polarisation in retailing, which manifested itself due to increasing buying of mass food goods, which conditioned the popularity of supermarkets and buying of exquisite, fashionable goods, are related to the expansion of specialised small trade companies;
- the growth of sales volumes in supermarkets;
- the shortening of most companies’ life cycle;
- the intensified fight for occupied market part;
- the escalated competition of merchandise prices;
- the increasing importance of marketing programs in the activity of trade companies;
- the expansion of market leader’s activity.

The process of polarisation during the last twenty years was rather sharp in latecomer Central European countries. In connection to growing polarisation not only local retailers were strengthening. Foreign countries retails also entered to latecomer countries rather successfully. The establishment of large retailers influenced the shortening of life cycle of small retail trade services enterprises, as well as higher competition and concentration level in this market.

The internationalization in retail trade services sector may be surveyed according to latecomer countries industrial enterprises internationalization specificity of penetrating to new markets. However, some specificity is emphasised. Internationalization of retailing is displayed through international operations’ activities and remote choice. The main feature is strengthening, modernizing of logistics system by creating new channels for distribution.

**Figure 1.** The strategic development of rapidly developing markets retail domestic players

### Methodology

The Lithuanian case is presented as one of latecomer countries surveying the internationalization specificity in retail trade services sector.

The methods of the research were statistical data analysis, comparative analysis and content analysis.

As subject for the research, retail trade services (except for a retail trade of motor vehicle and retail trade of fuel) is considered. The reason why other subclasses of retail trade were eliminated is as follows. According to the Statistics of Lithuania (Lithuania in Figures, 2011), the retail trade in 2010 brought 25819 million LTL (VAT excluded). The retail trade of motor vehicle was 4659
million LTL and approximately the same amount was created by the retail trade of fuel (4352.4 million LTL). The retail trade of motor vehicles more relates to purchasing power and is more sensitive to fluctuation of economy, as well as the retail of fuel (Sekliuckiene and Langviniene, 2011). The prices for fuel during the past two years grew quickly and reached a very high level (even a higher level of fuel prices comparing globally). This is why we wanted to eliminate such subclasses of retail from the data of retailing services statistics.

Presenting the research methodology some more notes should be added. Not all data from year 2010 are available, so we focus mainly on the most important data of retailing services sector during 2001-2010.

Analysing the specific features of Lithuanian retailing sector, the major structural changes are investigated (basic indices and derivative): the number of retailers (not excluding large or small ones, kiosk or outlets); number of employees working for retail trade; annual turnover of retailers; sale space of outlet (general); average sales of one outlet, sq. meters; sales space for one citizen in Lithuania; number of outlets for 1000 citizens; and annual turnover from retail trade for one citizen. A few of indices, such as number of retailers, employees, turnover of retailers sale spaces of retail trade outlets are representing the general statistics of retail trade services sector in Lithuania. On the ground of derivative indices such as the percentage of retail trade enterprises from the general amount of all enterprises shows the influence of retail trade in Lithuania. Other derivative indices, as average sales of one outlet (retail trade unit), average space for trade, a number of outlets for 1000 of citizens and turnover for one citizen show already other qualitative criteria, which reflect qualitative parameters of retailer, quality of life of a citizen, etc.

The content analysis covers the analysis of the main attributes of retailers, representing their competitive abilities and competition issues in the market. The websites of retailers were surveyed. Grocery and non-food sector in retail trade services market were distinguished. The data of 2009 were estimated as not all the retailers made the financial, marketing and other data for 2010 public.

A comparative analysis was used for interpreting the statistical and other secondary data.

Survey of Lithuanian retail trade sector

Retail services are influenced by a number of structural changes due to the internationalization and increasingly globalized markets. After regaining the independence in 1991, new former nationally oriented retailers during 10 year period have become global.

The structural changes in Lithuanian retail services market are presented in Table 1.

### Table 1

**Structural changes in retailing sector in Lithuania**

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of retailers</td>
<td>13234</td>
<td>12586</td>
<td>11673</td>
<td>11479</td>
<td>10835</td>
<td>11085</td>
<td>10870</td>
<td>10730</td>
<td>10355</td>
<td>9925</td>
<td>-25%</td>
</tr>
<tr>
<td>Percentage of all enterprises</td>
<td>19.5</td>
<td>18.4</td>
<td>17.1</td>
<td>16.4</td>
<td>14.9</td>
<td>14.3</td>
<td>14.2</td>
<td>13.2</td>
<td>12.2</td>
<td>11.92</td>
<td>-</td>
</tr>
<tr>
<td>Number of employees (thousand)</td>
<td>134.5</td>
<td>133.5</td>
<td>128.6</td>
<td>133.7</td>
<td>132.6</td>
<td>144.5</td>
<td>160.2</td>
<td>163.3</td>
<td>d.n.a.</td>
<td>d.n.a.</td>
<td>+21%</td>
</tr>
<tr>
<td>Turnover of retailers (million, LT)</td>
<td>9824.3</td>
<td>10492.8</td>
<td>11413.9</td>
<td>12789.9</td>
<td>14665.2</td>
<td>16187</td>
<td>19129.1</td>
<td>21954.7</td>
<td>17943.2</td>
<td>16807.6</td>
<td>+71%</td>
</tr>
<tr>
<td>Sale space of outlet (thousand m²)</td>
<td>1481</td>
<td>1649.8</td>
<td>1783.5</td>
<td>1945</td>
<td>2033.4</td>
<td>2106.9</td>
<td>2647.5</td>
<td>2868.4</td>
<td>2518.2</td>
<td>2542</td>
<td>+72%</td>
</tr>
<tr>
<td>Average sales space of outlet (m²)</td>
<td>92.2</td>
<td>102.3</td>
<td>111</td>
<td>122.2</td>
<td>125.8</td>
<td>133.7</td>
<td>158.3</td>
<td>170.3</td>
<td>167.6</td>
<td>169.6</td>
<td>+84%</td>
</tr>
<tr>
<td>Average sales turnover of one outlet (million)</td>
<td>0.74</td>
<td>0.83</td>
<td>0.98</td>
<td>1.12</td>
<td>1.35</td>
<td>1.46</td>
<td>1.76</td>
<td>2.05</td>
<td>1.73</td>
<td>1.69</td>
<td>+128%</td>
</tr>
<tr>
<td>Sales space for 1000 citizen (m²)</td>
<td>424</td>
<td>474</td>
<td>515</td>
<td>566</td>
<td>585</td>
<td>621</td>
<td>784</td>
<td>854</td>
<td>754</td>
<td>773</td>
<td>+82%</td>
</tr>
<tr>
<td>A number of outlets for 1000 citizen</td>
<td>3.8</td>
<td>3.6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.9</td>
<td>5.0</td>
<td>4.5</td>
<td>2.9</td>
<td>-24%</td>
</tr>
<tr>
<td>A turnover for one citizen</td>
<td>2814</td>
<td>3018</td>
<td>3296</td>
<td>3723</td>
<td>4295</td>
<td>4769</td>
<td>7089</td>
<td>8215</td>
<td>6623</td>
<td>5048</td>
<td>+79%</td>
</tr>
</tbody>
</table>

* Data not available

Analysing the changes in the number of retailers in Lithuania, it should be noted that the number of retail trade enterprises is decreasing. At the beginning of 2010 the number of retailers was 9925 that make 75 percent of the number of enterprises in 2001. Surveying the data of the number of enterprises, it should be added that even though the number of enterprises has drop, this could be a reason for the growing number of larger and decreasing number of smaller retail trade units.

From a more comprehensive perspective, the influence of retail trade on the general Lithuanian economy during the analysed period was also dynamic. At the beginning of the period a retail trade enterprise made 19.5 per cent of the total number of enterprises acting in Lithuania; this is almost one fifth of all them. At the end of the period, the number of retail trade enterprises has dropped; and the influence on the total Lithuanian economy also dropped (retail trade enterprises comprise 11.92 per cent of general number of acting enterprises).

The number of employees in retail trade services sector was changing, in contrast to the number of retail trade enterprises. Whereas the number of enterprises was going down during all the ten years period (except 2006, comparing to the year before), the number of retail trade employees was growing. The majority of Lithuanian retail trade enterprises are still small (Economic Entities, 2010). Almost half (47 percent) of the total number of retail trade enterprises, according to the data of Lithuanian Statistics, are individual stores. More than half of retail trade enterprises (5703 enterprises, which makes 58 percent of all retail trade enterprises) employs no more than 4 employees. A quarter of retail trade enterprises (2383 enterprises or 24 percent) employ 5–9 of the personnel; 11 percent of retail trade enterprises employ from 10 to 19 of the personnel. There are only 6 enterprises that employ more than 1000 employees, 11 enterprises – from 500 to 999.

Another important index for the survey of retail trade enterprises is the annual turnover. The turnover of retailers was growing until the end of 2008, the start of the financial crisis globally and locally. The increase of the turnover is practically stabilized (Table 2). Unfortunately, separate statistics for retail trade except of motor vehicles and trade of fuel is not published. In contrast to FDI, the Lithuanian direct investment upon the number of enterprises also grew during the analysed three years period (19.5 percent growth). In addition, the investments grew from 4877 million LTL to 5458 million LTL at the end of three years period (+12 percent). The number of investing enterprises grew by 8 percent; the total amount of investments grew from 610 million to 791 million LTL (increase by 30 percent).

Summarizing the structural changes in the sector of retail trade services, it should be noted that the year 2008 was the most successful time in the investigated period: the turnover of retailers, retail trade sales space and turnover for one citizen were the largest ones. The years 2009 and 2010 can be described as years of recovering but not recovered economy. The turnover of retail trade enterprises, sales space of outlets, turnover for one citizen in 2010 reached the level of 2006.
FDI to retail trade services sector – recent trends

<table>
<thead>
<tr>
<th>Sector</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total enterprises</strong> (all sectors, according NACE)</td>
<td>3013</td>
<td>3127</td>
<td>2977</td>
<td>-11.2%</td>
</tr>
<tr>
<td>FDI, total LT (million)</td>
<td>32040</td>
<td>33695</td>
<td>35099</td>
<td>+9.5%</td>
</tr>
<tr>
<td>Wholesale and retail trade, total enterprises</td>
<td>1044</td>
<td>1108</td>
<td>1059</td>
<td>+1.4%</td>
</tr>
<tr>
<td>FDI, total LT (million)</td>
<td>4491</td>
<td>4498</td>
<td>4537</td>
<td>+1.0%</td>
</tr>
<tr>
<td><strong>FDI, per cent from total FDI</strong></td>
<td>14.0</td>
<td>13.3</td>
<td>12.9</td>
<td>-</td>
</tr>
<tr>
<td>Retail trade, except of motor vehicles and trade of fuel, total enterprises</td>
<td>173</td>
<td>187</td>
<td>163</td>
<td>-5.8%</td>
</tr>
<tr>
<td>FDI, total LT (million)</td>
<td>1112</td>
<td>1384</td>
<td>1324</td>
<td>+19.1%</td>
</tr>
<tr>
<td><strong>FDI, per cent from total FDI</strong></td>
<td>3.5</td>
<td>4.1</td>
<td>3.8</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Figured drawing on the Foreign direct investment at the end of year by economic activity’2011; Lithuania in Figures’2011

Lithuanian direct investment abroad – recent trends

<table>
<thead>
<tr>
<th>Sector</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total enterprises</strong> (all sectors, according NACE)</td>
<td>317</td>
<td>373</td>
<td>379</td>
<td>+19.6%</td>
</tr>
<tr>
<td>DI, total LT (million)</td>
<td>4877</td>
<td>5557</td>
<td>5458</td>
<td>+11.9%</td>
</tr>
<tr>
<td>Wholesale and retail trade, total enterprises</td>
<td>136</td>
<td>154</td>
<td>147</td>
<td>+8.1%</td>
</tr>
<tr>
<td>DI, total LT (million)</td>
<td>610</td>
<td>939</td>
<td>791</td>
<td>+29.7%</td>
</tr>
<tr>
<td><strong>FDI, per cent from total FDI</strong></td>
<td>12.5</td>
<td>16.9</td>
<td>14.5</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Figured on the ground of Lithuanian direct investment abroad at the end of year by economic activity’2011

1991: Market dominated by local small retailers
1995: Establishments of Rimi by local owners
1998: Establishments of local retail chain Maxima group
2000: Rapid expansion of domestic market
2005: - Maxima group entered to Bulgarian market
       - Palink entered to Latvian market
2008: Coopernic alliance acquired 80% stake in Palink

1991: - Privatization and reorganization of largest retail companies (Apranga, Levuo) to JSC
       - Establishment of Armitana
       - Establishment of Semukai
1992: - First modern retail format IKI opened by Palink (first owner – brothers from Belgium)
       - 3 shops opened by Maxima group
1997: Establishment of local retail chain Norfos networks in Lithuania
1999: ICA (Sweden) acquired 50% stake in Rimi
2001: - Levuo entered Latvia market
       - Hugo Boss (Germany) franchisee agreement with Apranga group
       - Iysk (Denmark) first shop in Lithuania
       - Sonex entered Latvia market
       - Droga first shop in Lithuania
       - Eurovaistine launched a branch company in Poland, Latvia, Estonia
2003: - Maxima group entered the Latvian and Estonian markets
       - ICA (Sweden) acquired 100% stake in Rimi, establishment of branch ICA Baltic AB
2009: S Group (Finland) entered the Lithuanian market

2001: - Mango (Spain) franchisee agreement with Apranga group
2004: - Apranga group entered Estonia market
       - Indeex (Spain) and Georgia Armani Group (Italy) franchisee agreement with Apranga group for several brands development
       - A.S.Watson Group (Honkong) acquired Droga's stakes
2010: Promod (French brand) business was overtaken by Apranga group

Figure 2. Lithuanian food retail sector internationalization timeline

Figure 3. Lithuanian non-food sector internationalization timeline
### Table 4

**Grocery retail services sector in Lithuania: major players (2009)**

<table>
<thead>
<tr>
<th>Retailer (parent/ country of origin)</th>
<th>Operation (s)</th>
<th>Foreign markets</th>
<th>Stores</th>
<th>Sales, million LT (except VAT)</th>
<th>% of sales from abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maxima group (parent)</td>
<td>Multiple grocers; stores names: Maxima X, Maxima XX, Maxima XXX</td>
<td>Latvia, Estonia, Bulgaria</td>
<td>423 (incl. 214 in LTL)</td>
<td>77234</td>
<td>38.6</td>
</tr>
<tr>
<td>Palink (member of Coopernic, acquired 80% stake in Palink in 2008)</td>
<td>Multiple grocer; stores names: Iki, Ikiukas, Iki Express, Centas</td>
<td>Latvia</td>
<td>286 (incl. 216 in LTL)</td>
<td>2042</td>
<td>data not available</td>
</tr>
<tr>
<td>Nortos mazmena (parent)</td>
<td>Multiple grocer; stores names: Norfa S, L, XL, XXL, Hyper</td>
<td>-</td>
<td>119</td>
<td>1315</td>
<td>-</td>
</tr>
<tr>
<td>RIMI Baltic (owner Swedish company ICA)</td>
<td>Multiple grocer; stores names: Rimi Hypermarket, Superetto</td>
<td>Latvia, Estonia</td>
<td>240 (incl. 61 in LTL)</td>
<td>3986</td>
<td>79.35</td>
</tr>
<tr>
<td>Prisma LT (owner Finish company ‘S Group’)</td>
<td>Multiple grocer; stores names: Prisma</td>
<td>Finland, Estonia, Latvia, Russia</td>
<td>60 (incl 1 in LTL)</td>
<td>40743*</td>
<td>-</td>
</tr>
</tbody>
</table>

*Notes: data only for 2008 are available (data for all chain from different countries)*

### Table 5

**Non-food retail services sector in Lithuania: major players (2009)**

<table>
<thead>
<tr>
<th>Retailer (parent/ country of origin)</th>
<th>Foreign markets</th>
<th>Stores</th>
<th>Sales, million LT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major clothing, textiles and footwear retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apranga group (parent)</td>
<td>Latvia, Estonia</td>
<td>109 (incl. 74 in Lithuania)</td>
<td>392</td>
</tr>
<tr>
<td>Parent brands: Apranga, Aprangos galerija, Moskito, City.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operate foreign franchisees: Zara, Pull and Bear, Bershka, Stradivarius, Mexx, Mango, S Oliver, Emporio Armani, Hugo Boss.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levso (parent)</td>
<td>Latvia</td>
<td>63 (incl. 60 in Lithuania)</td>
<td>data not available</td>
</tr>
<tr>
<td>Baltika Group (Estonia)</td>
<td>Latvia, Lithuania, Latvia, Poland, Russia, Ukraine</td>
<td>132 (incl. 36 in Lithuania)</td>
<td>47</td>
</tr>
<tr>
<td>Parent brand Monton, Mosaic, Baltman, Ivo Nikkolo Moetinav.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armitana (parent)</td>
<td>Latvia, Estonia, Germany</td>
<td>79 (incl. 63 in Lithuania)</td>
<td>data not available</td>
</tr>
<tr>
<td>Danball International (joint Lithuania - Denmark company). Parent brands: Famclub, represent Este, Wawa, Only, Puma. Operate foreign franchisees: Danija, Vero Moda.</td>
<td>Latvia, Poland</td>
<td>100 (incl. 60 in Lithuania)</td>
<td>data not available</td>
</tr>
<tr>
<td>Deichmann (Germany)</td>
<td>19 Europe countries, USA</td>
<td>2939 (incl. 8 in Lithuania)</td>
<td>1174</td>
</tr>
<tr>
<td>Major electrical goods retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atea group (parent)</td>
<td>North and Baltic regions countries</td>
<td>e-shop and lots of IT solutions offices</td>
<td>240</td>
</tr>
<tr>
<td>Topo Group (parent)</td>
<td>Latvia, Russia</td>
<td>36, partnership with ‘Euronics’ – 4 stores</td>
<td>213</td>
</tr>
<tr>
<td>Elektromarktas (parent)</td>
<td>-</td>
<td>12</td>
<td>136</td>
</tr>
<tr>
<td>Major DIY (Do It Yourself), hardware and garden retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senukai (30% share in Rautakesko, Finland)</td>
<td>Latvia</td>
<td>92</td>
<td>891</td>
</tr>
<tr>
<td>Bauhof (Estonia)</td>
<td>Lithuania, Latvia, Ukraine</td>
<td>17 (incl. 5 in Lithuania)</td>
<td>data not available</td>
</tr>
<tr>
<td>Iris</td>
<td>-</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Major furniture retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jysk (Denmark)</td>
<td>34 of Europe countries, USA</td>
<td>1700 (incl. 9 in Lithuania)</td>
<td>742</td>
</tr>
<tr>
<td>SBA group (parent)</td>
<td>Ireland</td>
<td>6 (incl. 5 in Lithuania)</td>
<td>702</td>
</tr>
<tr>
<td>Major pharmaceuticals, health and beauty retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eurovaistine (parent)</td>
<td>Latvia, Estonia, Poland</td>
<td>280 (incl. 235 in Lithuania)</td>
<td>563</td>
</tr>
<tr>
<td>Camelia (parent)</td>
<td>-</td>
<td>286 in Lithuania</td>
<td>411</td>
</tr>
<tr>
<td>Gintarine vaistine (Polska grupa farmaceutyczna, Poland)</td>
<td>Lithuania</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Drogas (A.S. Watson Group, Hongkong)</td>
<td>Lithuania, Latvia</td>
<td>88 (incl. 27 in Lithuania)</td>
<td>data not available</td>
</tr>
</tbody>
</table>
Specificity of internationalization in Lithuania

The sector of retail trade services in Lithuania starting from early 1990’s was modernized very quickly and successfully. Modern retail formats like hypermarkets and supermarkets were introduced by national owned retail chains. In modern retail formats (by four largest retail companies), the total turnover in 2004 makes 61.9 percent of the food sector market share. Because of a high saturation of the food market, four largest retail chains with their developed formats in 2009 made already 73 percent of all turnovers in the retailing sector of Lithuania.

The largest players in the market of retail trade services are locally owned companies; international retailers recently have made paths to Lithuania. The largest foreign food retailer owned by ICA is Rimi Baltic (entered to Lithuanian market in 1999), non-food sector – Rautakesko, shareholder of Senukai (entered Lithuanian market in 2003). As the food sector is a saturated one, foreign retailer networks do not enter the Lithuanian market easily. The famous retailer Lidl (Germany) suffered failure in the Lithuanian market and closed their stores in one or two years after opening.

Intensive internationalisation activity by Lithuanian largest retailers started in 2001, when Maxima group initiated a stirring activity in Latvia in 2001 with an enterprise Maxima Latvia. The internationalisation of Lithuanian retailers has had not only success in their history. Maxima group successfully entered the Latvian market. However, it should be noted that Maxima was forced to close a few of stories in Bulgaria, Estonia and other countries which were not successful.

In contrast to the food sector, the non-food sector develop in a different way. The timelines of Lithuanian food and non-food internationalization respectively are presented in Figure 2 and Figure 3.

During 2000–2010 all non-food retail services sectors were occupied both local and international retailers. Other international retailers followed.

The following competitive advantages obtained by the Lithuanian retailers from the recession can be identified: larger capital companies (Maxima group, Apranga group) that responded quickly to the changing situation, that have strong brands, own retail infrastructure and capital; large retailers owned by foreign retail chains (Rimi Lithuania – owner Swedish company ICA; Palink, member of the European Alliance of Independent Trading Companies Coopernic). Popular formats in the Lithuanian retail sector are neighbourhood stores, supermarkets, hypermarkets, cash & carry, discount stores, convenience stores.

Table 4 presents a description of the major grocery and Table 5 – non-food retailers in Lithuania.

There is a lack of the largest retailers’ networks from the United Kingdom, Germany, France, especially in the food sector, e.g., Asda (the United Kingdom), Spar (Netherlands), Aldi (Germany), that act quite successfully in the majority markets of the EU countries. This fact can be explained by a large concentration of retailers in the market and small Lithuanian market which has a relatively small purchasing power comparing to other countries of the EU.

The majority of foreign investments in Lithuania have been made in the largest cities, especially in the capital city Vilnius. International retailers are mainly located in the urban areas, whereas local retail chains located both in urban and rural areas. The enterprises that are national leaders in food and non-food sectors have quite strong producers and their own brands.

Discussion

The retail trade in Lithuania passed from the planned economy to the market during the past two decades, as the majority of former Soviet Union countries. As other latecomers, Lithuanian retail trade services sector suffers more from the global recession and this concerns both the decrease in the number of stores and in their turnover. The decreasing purchasing power, a high level of emigration of Lithuanian people influences the retailing and forces their managers to take strategic decisions in order to survive. The impact of retail trade on the economy of any country is very clear. This sector is first described by a decreasing purchasing power, emigration, bankruptcy both of customers and suppliers.

In addition, the concentration in Lithuanian retail trade market of food and non-food sector is very high. The intervention of the Government, Laws (on concentration, competition, others) against monopolies, oligopolies have a positive influence, as the competition between largest supermarkets and small specialized stories is stimulated. The decrease in earnings forced the consumer to examine their purchasing. Goods and services are planned in advance. Spontaneous purchasing does not apply to average customers.

The recession of the economy reconstructed the shapes and forms of retailing trade services market. The Lithuanian retail trade market, as in other latecomer countries, is mostly owned by the local capital. The largest enterprises bring a large part of GDP of Lithuania. Thus the Government should do them best in order to help to increase retailers’ turnover, but not to forget to stimulate the growth and establishment of other trade units, as specialized stories, medium stores, kiosks in outer locations, etc., as competition forces the retailers to investigate customers’ wishes and organize a competitive trade in the market.

The following current trends affecting the future of Lithuanian retailers may be pointed out:
1. The larger immunity of largest stores before smaller ones. The smallest stores were the first to feel the consequence of decrease in the purchasing power. Medium or larger stores showed more immunity of course their turnover also decreased. However, the increasing of stores is also limited, as the Lithuanian market is rather small and concentration of consumers is rather sparse comparing, e.g., to Poland.
2. The increased size of retail services participants limits the entrance of foreign retailer participants.
3. The increased number of specialized stores. This concerns stores selling sweets, tea, coffee, alcoholic beverages; specialized stores for household, etc.

4. The development of supermarkets out of towns will be more popular because of spacious parking, possibilities to avoid traffic jams, etc.

5. Consolidation of smaller retailers can act as one of the ways to gain the purchasing power (Lorentz, Hakkinen and Hilmola, 2006) in relation to the suppliers that correspond to lower prices, possibilities for negotiation because of quantity discounts, delays in payment, etc.

Even though the market is rather saturated, there is still a niche for specialized goods suppliers to take a role in the market. As consumers’ purchasing is rationally calculated, retailers should take actions bringing an effect in the long run. Marketing programmes, discounts, etc., involved into the main strategies of retailers should be well planned, calculated and implemented.

According to Hanf et al. (2011), the development of internationalization in Central and Eastern European countries is going by one of three different waves: 1) ‘First wave’, when countries are following the identical format of well developed countries, large global well-known retailers with modern formats (like Tesco, CO-OP, Penny Market, etc.) enter their markets; 2) ‘Second wave’, when modern formats of retailers are introduced by usually small local retail chains; international retailers (for example, Metro) came to these countries as they entered the EU; most investments followed the urban areas; and 3) ‘Third wave’, when local retailers dominate and local suppliers dictate the rules for other retailers; international retailers meet a lot of barriers to enter this market; but a few of them were rather successful (Metro, Auchun and Rewe). Hungary would be an example of the ‘First wave’, Bulgaria – the ‘Second wave’, and the example for the ‘Third wave’ would be Russia (Hanf, Dautzenberg and Pall, 2010; Shan and Jolly, 2011). The internationalization of the Lithuanian retail trade services market is going in two ways: 1) ‘First wave’ is more similar to non-food sector, as Inditex, Hugo Boss, Mango, etc.; and 2) a mix between the ‘Second’ and ‘Third wave’ for food retail trade sector (Maxima Group – the largest local retailer, Rimi – as ICA establishment).

The latecomer countries are looking for opportunities to develop the specific sectors seeking to overtake the developed economies – one of them is retail trade. Some specific strategies should be implemented, diversifying them upon the subsector: food or non-food. The growth in the economy gives an opportunity to develop and experience of retailers shows in which way it should be done. The agreement in the research literature (Yaoh, 2011) is that services providers or industrial enterprises differ in relation to the fact if they are from more advanced countries or not, especially at the early stages of internationalization. Eren-Erdogmus et al. (2010) noticed that marketing strategies that had sprung from advanced countries do not always work as effectively as expected in emerging markets. In addition, latecomer countries not always follow the path of advanced economies. Advanced economies are famous as matured, developed and highly competitive, whereas latecomers have some unique features, as weakness in legal regulation of a specific sector, political instability, lack of managerial skills and experience in specific kind of business, etc. However, in the latter stages of internationalization the majority of services sectors as well as industrial enterprises from latecomer countries gain similar features of internationalization as in the advanced economies. This confirms that the Lithuanian sector of retail trade services will follow the experience of advanced economies, even in different trajectories of development.

Conclusions

The remarkable growth of Lithuania emphasizes the critical urgency of internationalization in specific sectors, as the sector of retail trade services. Some features of internationalization in retail trade services market can be distinguished. There is a different entry choice of penetration that could be combined by retailer entering a foreign market. Three stages of strategy development of internationalization are identified: local player, internationalized player and a global player.

The specificity of latecomer countries related to the internationalization is as follows: they are following one of the ‘three waves’: from quick penetration of international retailers to slow occupation of local retailers. This means that the expression of the first internationalization trajectory is typical of the Western European retailers’ expansion, whereas the second and third have some specificity.

The national low cost leaders in the Lithuanian retail trade services’ market will face a much stronger competition due to retail internationalization in food and non-food sector. The limitation of concentration in retail trade services sector and the precluded increase of larger leaders in the market stimulate establishing more specialized food and non-food stores that are open to foreign capital: stores for cheese, vine, fashion stores, etc. Thus, competition between local and foreign retailers will rise because of the naturally increasing internationalization, as well as because of the intervention of the Government seeking to help small retailers to compete in the Lithuanian market.

It is likely that new industrialized latecomer countries learn technologies of internationalization from well developed countries and they build up their own capabilities step by step. In fact, retail trade services sector overtakes some patterns of internationalization in retail from the developed countries, but some specificity is also noticed. The latecomer countries should acquire and use the modern technology, logistic system, their know-how at much lower costs than pioneers. This is why a lot of opportunities for the internationalization in retail trade services sectors can be considered.

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Santrauka

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